BlackRock

# Annual Financial Report

## iShares International Funds 2

- iShares MSCI World ex Australia Value ETF
  674 133 736
- iShares MSCI World ex Australia Momentum ETF
  674 133 692
- iShares MSCI World ex Australia Quality ETF
  674 133 718
- iShares MSCI World ex Australia Value (AUD Hedged) ETF
  674 133 763
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  674 133 781

For the period 17 January 2024 to 30 June 2024

# iShares International Funds 2

## Annual Financial Report - for the period 17 January 2024 to 30 June 2024

### Contents

## Directors' Report

The directors of BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975) (the "Responsible Entity"), the Responsible Entity of iShares International Funds 2 (the "Funds"), present their annual report together with the financial statements of the Funds, for the period ended 30 June 2024 and the auditor's report thereon. The iShares International Funds 2 comprise of iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF.

**Fund Objectives**

***iShares MSCI World ex Australia Value ETF***

The fund aims to provide investors with the performance of the MSCI World ex Australia Enhanced Value Index, before fees and expenses. The index is designed to measure the performance of global, developed market large and mid-capitalisation companies with higher value characteristics as identified through certain fundamental metrics.

***iShares MSCI World ex Australia Momentum ETF***

The fund aims to provide investors with the performance of the MSCI World ex Australia Momentum Index, before fees and expenses. The index is designed to measure the performance of global, developed market large and mid-capitalisation companies exhibiting relatively higher price momentum.

***iShares MSCI World ex Australia Quality ETF***

The fund aims to provide investors with the performance of the MSCI World ex Australia Quality Sector Capped Select Index, before fees and expenses. The index is designed to measure the performance of global, developed market large and mid-capitalisation companies with higher quality characteristics as identified through certain fundamental metrics.

***iShares MSCI World ex Australia Value (AUD Hedged) ETF***

The fund aims to provide investors with the performance of the MSCI World ex Australia Enhanced Value 100% AUD Hedged Index, before fees and expenses. The index is designed to measure the AUD hedged performance of global, developed market large and mid-capitalisation companies with higher value characteristics as identified through certain fundamental metrics.

***iShares MSCI World ex Australia Quality (AUD Hedged) ETF***

The fund aims to provide investors with the performance of the MSCI World ex Australia Quality Sector Capped Select 100% AUD Hedged Index, before fees and expenses. The index is designed to measure the AUD hedged performance of global, developed market large and mid-capitalisation companies with higher quality characteristics as identified through certain fundamental metrics.

**Principal Activities**

The Funds invest in accordance with the provisions of the Funds' Constitutions.

The Funds were registered on 17 January 2024. The Funds iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF commenced their operations on 14 February 2024, 14 February 2024, 14 February 2024, 20 February 2024 and 20 February 2024 respectively.

The Funds are currently listed on the Australian Securities Exchange (ASX). The admission date for iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF were 15 February 2024, 15 February 2024, 15 February 2024, 15 February 2024, 21 February 2024 and 21 February 2024 respectively.

The Funds did not have any employees during the period 17 January 2024 to 30 June 2024.

There were no significant changes in the nature of the Funds' activities during the period 17 January 2024 to 30 June 2024.

**Directors**

The following persons held office as directors of the Responsible Entity during the period or since the end of the period and up to the date of this report:

| Director | Date appointed |
|---|---|
| M S McCorry | Appointed 2 December 2009 |
| J Collins | Appointed 29 July 2015 |
| A Landman | Appointed 3 February 2020 |
| I Davila | Appointed 5 March 2020 |

## Directors' Report (continued)

**Review and Results of Operations**

During the period, the Funds invests in accordance with target asset allocations as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

***Results***

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

| | iShares MSCI World ex Australia Value ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Momentum ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 |
|---|---|---|
| Profit/(loss) for the period | 93 | 871 |

| | iShares MSCI World ex Australia Quality ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|
| Profit/(loss) for the period | 853 | 24,973 |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|
| Profit/(loss) for the period | 68,283 |

# Directors' Report (continued)

**Review and Results of Operations (continued)**

*Returns*

The table below demonstrates the performance of the Funds as represented by the total return.

| | **Returns* 17 January 2024 to 30 June 2024 %** |
|---|---|
| iShares MSCI World ex Australia Momentum ETF | -** |
| iShares MSCI World ex Australia Quality (AUD Hedged) ETF | -** |
| iShares MSCI World ex Australia Quality ETF | -** |
| iShares MSCI World ex Australia Value (AUD Hedged) ETF | -** |
| iShares MSCI World ex Australia Value ETF | -** |

* Returns (after fees) are calculated on the assumption that all distributions are reinvested in the Funds, and include the effect of compounding.

** Returns are Nil as the Funds have not completed the target period since inception.

**Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes**

The key differences between net assets for unit pricing purposes and net assets attributed to unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

| | **iShares MSCI World ex Australia Value ETF As at 30 June 2024 $'000** | **iShares MSCI World ex Australia Momentum ETF As at 30 June 2024 $'000** |
|---|---|---|
| Net assets for Unit Pricing Purposes | **12,889** | **12,168** |
| *Timing differences* | | |
| Other | **-** | **-** |
| **Net assets attributable to unitholders as at 30 June** | **12,889** | **12,168** |

| | **iShares MSCI World ex Australia Quality ETF As at 30 June 2024 $'000** | **iShares MSCI World ex Australia Value (AUD Hedged) ETF As at 30 June 2024 $** |
|---|---|---|
| Net assets for Unit Pricing Purposes | **12,878** | **731,578** |
| *Timing differences* | | |
| Other | **-** | **127** |
| **Net assets attributable to unitholders as at 30 June** | **12,878** | **731,705** |

## Directors' Report (continued)

**Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes (continued)**

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>As at<br>30 June 2024<br>$ |
|---|---|
| Net assets for Unit Pricing Purposes | **656,948** |
| *Timing differences* | |
| Other | **9,254** |
| **Net assets attributable to unitholders as at 30 June** | **666,202** |

**Significant Changes in State of Affairs**

The Funds iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF were constituted on 17 January 2024 and commenced their operations on 14 February 2024, 14 February 2024, 14 February 2024, 20 February 2024 and 20 February 2024 respectively.

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

**Matters Subsequent to the End of the Financial period**

***iShares MSCI World ex Australia Value ETF***

The Fund announced on 1 July 2024 a final distribution of 43.67 cents per unit, which equates to $222,705. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Momentum ETF***

The Fund announced on 1 July 2024 a final distribution of 8.40 cents per unit, which equates to $37,806. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Quality ETF***

The Fund announced on 1 July 2024 a final distribution of 15.46 cents per unit, which equates to $74,217. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Value (AUD Hedged) ETF***

The Fund announced on 1 July 2024 a final distribution of 42.27 cents per unit, which equates to $11,834. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Quality (AUD Hedged) ETF***

The Fund announced on 1 July 2024 a final distribution of 13.95 cents per unit, which equates to $3,349. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

Except as disclosed in the financial statements, no other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect:

(i) the operations of the Funds in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Funds in future financial years.

**Likely Developments and Expected Results of Operations**

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

# Directors' Report (continued)

### Likely Developments and Expected Results of Operations (continued)

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

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

### Indemnification and Insurance of Officers and Auditor

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

### Fees Paid and Interests Held in the Funds by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of Funds' property during the period are disclosed in Note 9 of the financial statements.

No fees were paid out of Funds' property to the directors of the Responsible Entity during the period. Pursuant to ASIC Corporations (Registered Schemes - Differential Fees) Instrument 2017/40, the Responsible Entity may individually negotiate fees with certain sophisticated or professional investors.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial period are also disclosed in Note 9 of the financial statements.

### Interests in the Funds

The movement in units on issue in the Funds during the period is disclosed in Note 4 of the financial statements.

### Value of Assets

The value of the Funds' assets and liabilities is disclosed on the Statements of Financial Position and derived using the basis set out in Note 2 of the financial statements.

### Environmental Regulation

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

### Rounding of Amounts

The Funds with the exception of iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF are registered schemes of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and the financial statements. Amounts in the directors' report and the financial statements have been rounded to the nearest thousand in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

### Additional Disclosure

The Funds have applied the relief available in ASIC Corporations (Disclosing Entities) Instrument 2015/839 issued by the Australian Securities and Investments Commission in the preparation of this report. This class order allows registered schemes with a common responsible entity to include their multiple financial statements in adjacent columns in a single financial report.

The Funds have applied the relief available in ASIC Corporations (Disclosing Entities) Instrument 2016/188 issued by the Australian Securities and Investments Commission in the preparation of this report. Accordingly, the additional information otherwise required to be included in the directors' report has been disclosed in Notes 4 and 9 of the financial statements.

## Directors' Report (continued)

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

The financial statements were authorised for issue by the directors on 24 September 2024.

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

Director
J Collins

Sydney
24 September 2024

# Deloitte.

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24 September 2024

The Board of Directors
BlackRock Investment Management (Australia) Limited
Level 37 Chifley Tower, 2 Chifley Square
SYDNEY NSW 2000

Dear Directors

**Auditor's Independence Declaration to iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Quality (AUD Hedged) ETF and iShares MSCI World ex Australia Value (AUD Hedged) ETF (collectively "iShares International Funds 2")**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BlackRock Investment Management (Australia) Limited as Responsible Entity of iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Quality (AUD Hedged) ETF and iShares MSCI World ex Australia Value (AUD Hedged) ETF.

As lead audit partner for the audit of the financial reports of iShares International Funds 2 for the financial period 17 January 2024 to 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

## Statements of Profit or Loss and Other Comprehensive Income

| | Notes | iShares MSCI World ex Australia Value ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Momentum ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 |
|---|---|---|---|
| ***Investment income*** | | | |
| Interest income | | - | - |
| Dividend/distribution income | | **224** | **62** |
| Net gains/(losses) on financial instruments held at fair value through profit or loss (including any FX gains/(losses)) | | **(88)** | **834** |
| Other income | | **7** | **7** |
| ***Total net investment income/(loss)*** | | **143** | **903** |
| ***Expenses*** | | | |
| Management fees | 9 | **11** | **11** |
| Transaction costs | | **15** | **6** |
| Custody movement fees | | **10** | **5** |
| Other expenses | | **14** | **10** |
| ***Total operating expenses*** | | **50** | **32** |
| ***Profit/(loss) for the period*** | | **93** | **871** |
| Other comprehensive income | | **-** | **-** |
| ***Total comprehensive income/(loss) for the period*** | | **93** | **871** |

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Statements of Profit or Loss and Other Comprehensive Income (continued)

| | Notes | iShares MSCI World ex Australia Quality ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|---|
| ***Investment income*** | | | |
| Interest income | | - | - |
| Dividend/distribution income | | 76 | - |
| Net gains/(losses) on financial instruments held at fair value through profit or loss (including any FX gains/(losses)) | | 801 | 26,039 |
| Fee rebates from related schemes | 9 | - | 607 |
| Other income | | 7 | - |
| ***Total net investment income/(loss)*** | | 884 | 26,646 |
| ***Expenses*** | | | |
| Management fees | 9 | 11 | 675 |
| Transaction costs | | 6 | 430 |
| Custody movement fees | | 5 | 487 |
| Other expenses | | 9 | 81 |
| ***Total operating expenses*** | | 31 | 1,673 |
| ***Profit/(loss) for the period*** | | 853 | 24,973 |
| Other comprehensive income | | - | - |
| ***Total comprehensive income/(loss) for the period*** | | 853 | 24,973 |

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Statements of Profit or Loss and Other Comprehensive Income (continued)

| | Notes | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|
| ***Investment income*** | | |
| Interest income | | **48** |
| Net gains/(losses) on financial instruments held at fair value through profit or loss (including any FX gains/(losses)) | | **68,806** |
| Fee rebates from related schemes | 9 | **537** |
| ***Total net investment income/(loss)*** | | **69,391** |
| ***Expenses*** | | |
| Management fees | 9 | **601** |
| Transaction costs | | **108** |
| Custody movement fees | | **399** |
| ***Total operating expenses*** | | **1,108** |
| ***Profit/(loss) for the period*** | | **68,283** |
| Other comprehensive income | | **-** |
| ***Total comprehensive income/(loss) for the period*** | | **68,283** |

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Statements of Financial Position

| | Notes | iShares MSCI World ex Australia Value ETF<br>As at 30 June 2024<br>$'000 | iShares MSCI World ex Australia Momentum ETF<br>As at 30 June 2024<br>$'000 |
|---|---|---|---|
| ***Assets*** | | | |
| Cash and cash equivalents | | 81 | 40 |
| Financial assets held at fair value through profit or loss | 5 | 12,579 | 12,116 |
| Cash held on collateral | | 6 | 2 |
| Receivables | 6 | 229 | 15 |
| ***Total assets*** | | 12,895 | 12,173 |
| ***Liabilities*** | | | |
| Payables | 8 | 6 | 5 |
| ***Total liabilities*** | | 6 | 5 |
| ***Net assets attributable to unitholders - equity*** | 4 | 12,889 | 12,168 |

| | Notes | iShares MSCI World ex Australia Quality ETF<br>As at 30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>As at 30 June 2024<br>$ |
|---|---|---|---|
| ***Assets*** | | | |
| Cash and cash equivalents | | 50 | 323 |
| Financial assets held at fair value through profit or loss | 5 | 12,752 | 727,967 |
| Cash held on collateral | | 3 | - |
| Receivables | 6 | 78 | 3,991 |
| ***Total assets*** | | 12,883 | 732,281 |
| ***Liabilities*** | | | |
| Financial liabilities held at fair value through profit or loss | 7 | - | 220 |
| Payables | 8 | 5 | 356 |
| ***Total liabilities*** | | 5 | 576 |
| ***Net assets attributable to unitholders - equity*** | 4 | 12,878 | 731,705 |

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

## Statements of Financial Position (continued)

| | Notes | iShares MSCI World ex Australia Quality (AUD Hedged) ETF As at 30 June 2024 $ |
|---|---|---|
| ***Assets*** | | |
| Cash and cash equivalents | | **163** |
| Financial assets held at fair value through profit or loss | 5 | **664,448** |
| Receivables | 6 | **1,922** |
| ***Total assets*** | | **666,533** |
| ***Liabilities*** | | |
| Financial liabilities held at fair value through profit or loss | 7 | **32** |
| Payables | 8 | **299** |
| ***Total liabilities*** | | **331** |
| ***Net assets attributable to unitholders - equity*** | 4 | **666,202** |

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

## Statements of Changes in Equity

| | Notes | iShares MSCI World ex Australia Value ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Momentum ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 |
|---|---|---|---|
| ***Total equity at the beginning of the financial period*** | | - | - |
| ***Comprehensive income for the period*** | | | |
| Profit/(loss) for the period | | **93** | **871** |
| ***Total comprehensive income for the period*** | | **93** | **871** |
| ***Transactions with unitholders*** | | | |
| Creations | 4 | **14,469** | **12,146** |
| Redemptions | 4 | **(1,673)** | **(849)** |
| ***Total transactions with unitholders*** | | **12,796** | **11,297** |
| ***Total equity at the end of the financial period*** | | **12,889** | **12,168** |

| | Notes | iShares MSCI World ex Australia Quality ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|---|
| ***Total equity at the beginning of the financial period*** | | - | - |
| ***Comprehensive income for the period*** | | | |
| Profit/(loss) for the period | | **853** | **24,973** |
| ***Total comprehensive income for the period*** | | **853** | **24,973** |
| ***Transactions with unitholders*** | | | |
| Creations | 4 | **12,025** | **911,993** |
| Redemptions | 4 | **-** | **(205,261)** |
| ***Total transactions with unitholders*** | | **12,025** | **706,732** |
| ***Total equity at the end of the financial period*** | | **12,878** | **731,705** |

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

## Statements of Changes in Equity (continued)

| | Notes | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|
| ***Total equity at the beginning of the financial period*** | | - |
| ***Comprehensive income for the period*** | | |
| Profit/(loss) for the period | | **68,283** |
| ***Total comprehensive income for the period*** | | **68,283** |
| ***Transactions with unitholders*** | | |
| Creations | 4 | **597,919** |
| ***Total transactions with unitholders*** | | **597,919** |
| ***Total equity at the end of the financial period*** | | **666,202** |

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

## Statements of Cash Flows

| | Notes | iShares MSCI World ex Australia Value ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Momentum ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | 2,840 | 4,774 |
| Purchases of financial instruments held at fair value through profit or loss | | (15,712) | (16,067) |
| Transaction costs | | (15) | (6) |
| Dividends/distributions received | | 199 | 58 |
| Other income received | | 6 | 6 |
| Management fees paid | | (5) | (6) |
| Operating expenses paid | | (24) | (15) |
| ***Net cash inflow/(outflow) from operating activities*** | 11(a) | (12,711) | (11,256) |
| ***Cash flows from financing activities*** | | | |
| Proceeds from creations by unitholders | | 14,469 | 12,146 |
| Payments for redemptions by unitholders | | (1,673) | (849) |
| ***Net cash inflow/(outflow) from financing activities*** | | 12,796 | 11,297 |
| ***Net increase/(decrease) in cash and cash equivalents*** | | 85 | 41 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | | (4) | (1) |
| ***Cash and cash equivalents at the end of the period*** | 11(b) | 81 | 40 |

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

## Statements of Cash Flows (continued)

| | Notes | iShares MSCI World ex Australia Quality ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | **1,447** | **237,284** |
| Purchases of financial instruments held at fair value through profit or loss | | **(13,468)** | **(942,653)** |
| Transaction costs | | **(6)** | **(430)** |
| Dividends/distributions received | | **68** | **-** |
| Fee rebates from related schemes received | | **-** | **305** |
| Other income received | | **6** | **-** |
| Management fees paid | | **(6)** | **(333)** |
| Operating expenses paid | | **(14)** | **(582)** |
| ***Net cash inflow/(outflow) from operating activities*** | 11(a) | **(11,973)** | **(706,409)** |
| ***Cash flows from financing activities*** | | | |
| Proceeds from creations by unitholders | | **12,025** | **911,993** |
| Payments for redemptions by unitholders | | **-** | **(205,261)** |
| ***Net cash inflow/(outflow) from financing activities*** | | **12,025** | **706,732** |
| ***Net increase/(decrease) in cash and cash equivalents*** | | **52** | **323** |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | | **(2)** | **-** |
| ***Cash and cash equivalents at the end of the period*** | 11(b) | **50** | **323** |

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

## Statements of Cash Flows (continued)

| | Notes | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | | **19,130** |
| Purchases of financial instruments held at fair value through profit or loss | | **(616,374)** |
| Transaction costs | | **(108)** |
| Interest received | | **48** |
| Fee rebates from related schemes received | | **273** |
| Management fees paid | | **(302)** |
| Operating expenses paid | | **(423)** |
| ***Net cash inflow/(outflow) from operating activities*** | 11(a) | **(597,756)** |
| ***Cash flows from financing activities*** | | |
| Proceeds from creations by unitholders | | **597,919** |
| ***Net cash inflow/(outflow) from financing activities*** | | **597,919** |
| ***Net increase/(decrease) in cash and cash equivalents*** | | **163** |
| ***Cash and cash equivalents at the end of the period*** | 11(b) | **163** |

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

## 1 General Information

These financial statements cover iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Value (AUD Hedged) ETF, iShares MSCI World ex Australia Quality (AUD Hedged) ETF (the “Funds”) as individual entities. The Funds were constituted on 17 January 2024. The Funds will terminate on the eightieth anniversary of the day the Funds commenced, unless terminated in accordance with the provisions of the Funds' Constitutions.

The Responsible Entity of the Funds is BlackRock Investment Management (Australia) Limited (the “Responsible Entity”). The Responsible Entity's registered office is Level 37 Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

The financial statements were authorised for issue by the directors on 24 September 2024. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in the Australian currency.

## 2 Summary of Material Accounting Policies

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

### (a) Statement of Compliance and Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Funds are for-profit unit trusts for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of historical costs, except for financial assets and financial liabilities held at fair value through profit or loss, that are measured at fair value.

The Statements of Financial Position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

*(i) Compliance with International Financial Reporting Standards*

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

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

The Funds have applied the following standards and amendments for the first time for its reporting period commencing 17 January 2024:

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2].

The amendment listed above is not expected to significantly affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2024, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

### (b) Financial Instruments

*(i) Classification*

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

- Derivative financial instruments such as futures, forward foreign exchange contracts, options and swaps. The Funds designate forward foreign exchange contracts used to hedge currency risk of listed unit trusts as hedges in a hedging relationship.
- Investments in listed equities, listed unit trusts, unlisted unit trusts, interest bearing securities and money market securities.

  Financial assets and financial liabilities held at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds' policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

## 2 Summary of Material Accounting Policies (continued)

**(b) Financial Instruments (continued)**

*(i) Classification (continued)*

Short sales are classified as financial liabilities at fair value through profit or loss. Short sales are where borrowed securities are sold in anticipation of a decline in the market value of those securities and are made or may be used for various arbitrage transactions.

*(ii) Recognition/derecognition*

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

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

*(iii) Measurement*

*Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statements of Profit or Loss and Other Comprehensive Income.

- Fair value in an active market

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

- 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. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

  Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Funds recognise the difference in the Statements of Profit or Loss and Other Comprehensive Income to reflect a change in factors, including time, that market participants would consider in setting a price.

  Investments in other unlisted unit trusts are recorded at the net asset value per unit as reported by the Responsible Entity of such funds.

*(iv) Derivatives*

The Funds designate hedging instruments, which include derivatives in respect of foreign currency risk, as fair value hedges.

At the inception of the hedge relationship, the Funds document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Funds document whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk. Note 5 and 7 sets out details of the fair values of the derivative instruments used for hedging purposes.

*Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in Statements of Profit or Loss and Other Comprehensive Income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in Statements of Profit or Loss and Other Comprehensive Income in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

## 2 Summary of Material Accounting Policies (continued)

### (c) Offsetting Financial Instruments

Financial assets and liabilities are reported on a gross basis in the Statements of Financial Position. Where 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 on default or in the ordinary course of business, the financial assets and liabilities will be offset and reported on a net basis in notes to the financial statements.

### (d) Net Assets Attributable to Unitholders

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

The units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders.

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

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation:*

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

In addition to the instrument having all the above features, paragraph 16B of AASB 132 requires that the issuer have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in fair value of the recognised and unrecognised net assets of the entity.
- The effect of substantially restricting or fixing the residual return to the puttable instrument holders.

The Funds' units have been classified as equity as they satisfied all the above criteria.

### (e) Cash and Cash Equivalents

Cash and cash equivalents may include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts and cash will be netted off on the Statements of Financial Position if both are present.

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 represent the Funds' main income generating activity.

### (f) Margin Accounts

Margin accounts comprise of cash held for derivative transactions and short sales. The cash is only available to meet margin calls.

### (g) Investment Income and Expenses

Interest income and expenses are recognised in the Statements of Profit or Loss and Other Comprehensive Income for all interest bearing securities using the effective interest method. Interest on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Funds estimate cash flows, considering all contractual terms of the financial instrument (for example, prepayment options), but do not consider future credit losses.

## 2 Summary of Material Accounting Policies (continued)

### (g) Investment Income and Expenses (continued)

The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date. The Funds may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statements of Profit or Loss and Other Comprehensive Income. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Trust distributions are recognised on an entitlements basis.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

### (h) Expenses

All expenses, including management fees and performance fees, are recognised in the Statements of Profit or Loss and Other Comprehensive Income on an accruals basis.

### (i) Income Tax

Under current legislation, the Funds are not subject to income tax provided the taxable income of the Funds are attributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Funds).

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

### (j) Distributions to Unitholders

In accordance with the Funds' Constitutions, the Funds attribute their taxable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. Distributions are recognised in the Statements of Changes in Equity as distributions paid and payable.

### (k) Increase/Decrease in Net Assets Attributable to Unitholders

Movements in net assets attributable to unitholders are recognised in the Statements of Changes in Equity for the period ended 30 June 2024.

### (l) Foreign Currency Translation

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statements of Profit or Loss and Other Comprehensive Income.

The Funds do not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### (m) Receivables

Receivables may include amounts for dividends, interest, trust distributions, amounts due from brokers and creations receivable. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of the reporting date from the time of the last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities that have been contracted for but not yet delivered by the end of the reporting date. Creations receivable are recorded when the creations are made for units in the Funds with the consideration yet to be received as at the end of the reporting date.

## 2 Summary of Material Accounting Policies (continued)

### (m) Receivables (continued)

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 on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the 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. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in the Statements of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statements of Profit or Loss and Other Comprehensive Income.

### (n) Payables

Payables include liabilities and accrued expenses owing by the Funds and redemptions payable which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at reporting date are included in payables. Redemptions payable are recognised when the unitholder returns their holdings back into the Funds foregoing all rights associated with the units, with the payment yet to be released.

The distribution amount payable to unitholders as at reporting date is recognised separately on the Statements of Financial Position when unitholders are presently entitled to the distributable income under the Funds' Constitutions.

### (o) Creations and Redemptions

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

Unit redemption prices are determined by reference to the net assets for unit pricing purposes of the Funds, divided by the number of units on issue at or immediately prior to close of business each day. Creations and redemptions of units are processed simultaneously.

### (p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services and investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) hence, investment management fees, custodial fees and other expenses have been recognised in the Statements of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable and accrued expenses are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statements of Financial Position. Cash flows relating to GST are included in the Statements of Cash Flows on a gross basis.

### (q) New Accounting Standards and Interpretations

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

### (r) Use of Estimates and Critical Accounting Judgments

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over the counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

## 2 Summary of Material Accounting Policies (continued)

### (r) Use of Estimates and Critical Accounting Judgments (continued)

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

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

### (s) Rounding of Amounts

The Funds with the exception of iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF are registered schemes of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the directors' report and the financial statements. Amounts in the directors' report and the financial statements have been rounded to the nearest thousand in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

### (t) Cash Held on Collateral

Cash held on collateral includes restricted margin accounts where the derivative transactions’ original maturities are not within three months as well as restricted cash for short sales. Short positions are taken on securities which have relatively poor return expectations. To facilitate settlement, securities are borrowed with collateral requirements. These requirements are satisfied with cash and/or other securities. Cash used to satisfy collateral requirements is disclosed as cash held on collateral on the Statements of Financial Position.

## 3 Financial Risk Management

The Funds' activities expose them to a variety of financial risks: credit risk, liquidity risk, and market risk (including price risk, currency risk and interest rate risk). The Funds' overall risk management program focuses on ensuring compliance with the Funds' Product Disclosure Statements and seeks to maximise the returns derived for the level of risk to which the Funds are exposed. The Funds may use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the Investment Risk Management Working Group (IRMWG) under policies approved by the Board of Directors of the Responsible Entity (the “Board”).

The Funds use different methods to measure different types of risk to which they are exposed. These methods include Value at Risk (“VaR”) analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. VaR analysis is explained in Note 3(b).

### (a) Market Risk

Market risk is managed and monitored by the Responsible Entity on a portfolio basis, with risks managed through ensuring that investment activities are undertaken in accordance with the Funds' investment model which is reviewed and updated regularly.

### (i) Price Risk

The Funds are exposed to price risk. This arises from investments held by the Funds for which prices in the future are uncertain. They are classified in the Statements of Financial Position as fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian Dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Note 3(a)(ii) below sets out how this component of price risk is managed and measured. All securities investments present a risk of loss of capital. Except for equities sold short and derivative instruments, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, such as the COVID-19 pandemic, recessions, climate change or other events could have a significant impact on each Fund and their investments and could result in increased premiums or discounts to the Funds' net asset value.

The Responsible Entity continuously monitors the Funds' holdings relative to the recommended portfolio, and the exposure of the Funds are monitored to ensure that it remains within designated ranges or asset allocation constraints, taking into account any derivative position being used to manage risks.

In addition, the IRMWG regularly reviews the Funds to ensure the Funds are following the appropriate investment model, their portfolio is in accordance with their stated guidelines and restrictions, and the performance of the Funds remains in expected bounds.

# 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (i) Price Risk (continued)

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

At the reporting date, the notional principal amounts of derivative financial instruments held by the Funds were as follows:

| | iShares MSCI World ex Australia Value ETF | | | |
|---|---|---|---|---|
| | 30 June 2024 | | | |
| | $'000 | | | |
| | Notional Principal Amount | | | Fair Value |
| | Asset | Liability | Net | |
| Futures - International | **77** | **-** | **77** | **1** |
| Forward foreign exchange contracts | **315** | **(315)** | **-** | **-** |

| | iShares MSCI World ex Australia Momentum ETF | | | |
|---|---|---|---|---|
| | 30 June 2024 | | | |
| | $'000 | | | |
| | Notional Principal Amount | | | Fair Value |
| | Asset | Liability | Net | |
| Forward foreign exchange contracts | **46** | **(46)** | **-** | **-** |

| | iShares MSCI World ex Australia Quality ETF | | | |
|---|---|---|---|---|
| | 30 June 2024 | | | |
| | $'000 | | | |
| | Notional Principal Amount | | | Fair Value |
| | Asset | Liability | Net | |
| Futures - International | **41** | **-** | **41** | **-** |
| Forward foreign exchange contracts | **108** | **(108)** | **-** | **-** |

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF | | | |
|---|---|---|---|---|
| | 30 June 2024 | | | |
| | $ | | | |
| | Notional Principal Amount | | | Fair Value |
| | Asset | Liability | Net | |
| Forward foreign exchange contracts | **2,243,135** | **(2,232,860)** | **10,275** | **10,275** |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF | | | |
|---|---|---|---|---|
| | 30 June 2024 | | | |
| | $ | | | |
| | Notional Principal Amount | | | Fair Value |
| | Asset | Liability | Net | |
| Forward foreign exchange contracts | **1,942,987** | **(1,939,203)** | **3,784** | **3,784** |

### (ii) Foreign Exchange Risk

The Funds hold monetary and non-monetary assets denominated in currencies other than the Australian Dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

# 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

Foreign exchange risk is managed using forward foreign exchange contracts and other derivatives in accordance with Funds guidelines and restrictions. Daily monitoring is undertaken to ensure instruments used and exposures created are consistent with the investment strategy and objectives of the Funds. For accounting purposes, the Funds do not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

This disclosure for the Funds have not been made on a look through basis for investments held indirectly through underlying funds. The disclosure of foreign exchange risk may not present the true foreign exchange risk profile of the Funds where the underlying fund has a significant exposure to foreign exchange risk.

The Funds' functional and presentational currency is the Australian dollar. The Funds, through their underlying investment, invest into financial assets and financial liabilities denominated in currencies other than the Australian dollar. The Funds are therefore exposed to the risk that movements in foreign exchange rates will cause fluctuations in profit or loss. The Funds use foreign exchange forward contracts to mitigate this risk by hedging the underlying trust's exposure to financial assets and liabilities denominated in currencies other than the Australian dollar. The Funds designate foreign currency forward contracts used to hedge currency risk of listed unit trusts as hedges in a hedging relationship.

The Funds apply fair value hedge accounting to its derivative instruments (where possible) and performs a hedge effectiveness assessment at each reporting period to determine whether the hedge will be highly effective over the term of the hedge relationship. FX sensitivity is not applied as the foreign currency risk is fully hedged and the resulting sensitivity would not be material. A qualitative assessment is made to determine whether an economic relationship exists between the hedged item and the hedging instrument. Where a qualitative assessment is deemed to not be sufficient, a quantitative assessment will be performed. The effect of credit risk is assessed to determine whether it dominates the value changes that result from the economic relationship. The hedge ratio is assessed to be 1:1 as there is no basis risk or material cash flow timing differences between the hedging instrument and underlying hedged item.

Where the terms of the hedging instrument and hedged item do not match, the source of ineffectiveness in the hedge relationship is identified. The ineffectiveness will be measured at each hedge testing date and accounted for in profit or loss statement.

Sources of ineffectiveness identified by the Funds include with respect to their foreign exchange exposures include:

- The amount of the currency exposure being hedged changes due to a change in the value of the underlying assets
- The impact of credit/debit valuation adjustments (CVA/DVA)

The following tables summarise the Funds' Foreign Exchange risk exposure, denominated in different currencies:

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| | United States Dollar **A$** | European Euro **A$** | British Pound **A$** | Japanese Yen **A$** | Swiss Franc **A$** | Canadian Dollar **A$** | Swedish Krona **A$** |
| **30 June 2024** | | | | | | | |
| **Foreign Exchange risk** | | | | | | | |
| Average contracted rate | 0.6684 | 0.6227 | 0.5287 | 107.0110 | 0.5984 | 0.9140 | 7.0678 |
| Notional Amount (sell foreign currency) | 281,262 | 141,305 | 73,768 | 167,782 | 11,698 | 15,318 | 9055 |
| Fair value | (186) | (15) | (36) | (134) | (2) | (7) | 4 |
| **- Hedged Exposure** | 281,448 | 141,320 | 73,805 | 167,916 | 11,700 | 15,325 | 9051 |

## 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| | United States Dollar **A$** | European Euro **A$** | British Pound **A$** | Japanese Yen **A$** | Swiss Franc **A$** | Canadian Dollar **A$** | Danish Krone **A$** |
| **30 June 2024** | | | | | | | |
| **Foreign Exchange risk** | | | | | | | |
| Average contracted rate | 0.6684 | 0.6227 | 0.5287 | 107.0110 | 0.5984 | 0.9140 | 4.6428 |
| Notional Amount (sell foreign currency) | 490,713 | 49,778 | 26,482 | 16,044 | 31,751 | 9,847 | 23,477 |
| Fair value | (323) | (5) | (12) | (13) | (6) | (5) | 5 |
| **- Hedged Exposure** | 491,037 | 49,783 | 26,494 | 16,057 | 31,757 | 9,852 | 23,471 |

## 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

The Funds' total net exposure to fluctuations in foreign currency exchange rates designated to fair value hedges at the Statement of Financial Position date is as follows:

**iShares MSCI World ex Australia Value (AUD Hedged) ETF**

**30 June 2024**

| | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Item in the statement of financial position where the hedging instrument is located |
|---|---|---|---|---|
| | | Assets | Liabilities | |
| | ($) | ($) | ($) | |
| **Fair Value Hedges**<br>Foreign Exchange Risk<br>- Foreign currency forwards | 700,188 | 11 | 387 | Financial assets and liabilities held at fair value through profit or loss |

| | Cumulative Fair Value adjustments included in the hedged item | | Carrying Amount of the Hedged Item | | Line Item in the statement of financial position where the hedged item is located |
|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | |
| | ($) | ($) | ($) | ($) | |
| **Fair Value Hedges**<br>Foreign Exchange Risk<br>- Exposure on underlying investment | - | - | - | 700,565 | Financial assets and liabilities held at fair value through profit or loss |

| | Changes in value of Hedging Instrument used for calculating hedge ineffectiveness for 30 June 2024 | Changes in value of Hedged Item used for calculating hedge ineffectiveness for 30 June 2024 | Hedge ineffectiveness recognised in profit or loss | Line item in profit or loss (that includes hedge ineffectiveness) |
|---|---|---|---|---|
| | ($) | ($) | ($) | |
| **Fair Value Hedges**<br>Foreign Exchange Risk<br>- Foreign currency forwards & underlying investment | (376) | 376 | - | Net gains/(losses) on financial instruments held at fair value through profit or loss (including FX gains/(losses)) |

# 3 Financial Risk Management (continued)

**(a) Market Risk (continued)**

**(ii) Foreign Exchange Risk (continued)**

**iShares MSCI World ex Australia Quality (AUD Hedged) ETF**

**30 June 2024**

| | Nominal Amount of the Hedging Instrument | Carrying Amount of the Hedging Instrument | | Line Item in the statement of financial position where the hedging instrument is located |
|---|---|---|---|---|
| | | Assets | Liabilities | |
| | ($) | ($) | ($) | |
| **Fair Value Hedges** | | | | |
| Foreign Exchange Risk | | | | |
| - Foreign currency forwards | 648,092 | 7 | 365 | Financial assets and liabilities held at fair value through profit or loss |

| | Cumulative Fair Value adjustments included in the hedged item | | Carrying Amount of the Hedged Item | | Line Item in the statement of financial position where the hedged item is located |
|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | |
| | ($) | ($) | ($) | ($) | |
| **Fair Value Hedges** | | | | | |
| Foreign Exchange Risk | | | | | |
| - Exposure on underlying investment | - | - | - | 648,451 | Financial assets and liabilities held at fair value through profit or loss |

| | Changes in value of Hedging Instrument used for calculating hedge ineffectiveness for 30 June 2024 | Changes in value of Hedged Item used for calculating hedge ineffectiveness for 30 June 2024 | Hedge ineffectiveness recognised in profit or loss | Line item in profit or loss (that includes hedge ineffectiveness) |
|---|---|---|---|---|
| | ($) | ($) | ($) | |
| **Fair Value Hedges** | | | | |
| Foreign Exchange Risk | | | | |
| - Foreign currency forwards & underlying investment | 358 | (365) | - | Net gains/(losses) on financial instruments held at fair value through profit or loss (including FX gains/(losses)) |

# 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

The following tables summarise the Funds' assets and liabilities, monetary and non-monetary, which are denominated in different currencies:

| | iShares MSCI World ex Australia Value ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **30 June 2024** | **United States Dollar A$'000** | **Japanese Yen A$'000** | **European Euro A$'000** | **British Pound A$'000** | **Canadian Dollar A$'000** | **Other Currencies A$'000** | **Total A$'000** |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 29 | 22 | 13 | 6 | 2 | 9 | 81 |
| Financial assets held at fair value through profit or loss* | 4,932 | 2,957 | 2,493 | 1,292 | 269 | 636 | 12,579 |
| Cash held on collateral** | 6 | - | - | - | - | - | 6 |
| Receivables | 82 | 56 | 44 | 33 | 4 | 10 | 229 |
| **Total assets** | 5,049 | 3,035 | 2,550 | 1,331 | 275 | 655 | 12,895 |
| **Liabilities** | | | | | | | |
| Payables | - | - | - | - | - | 6 | 6 |
| **Total liabilities** | - | - | - | - | - | 6 | 6 |
| **Total currency exposure** | 5,049 | 3,035 | 2,550 | 1,331 | 275 | 649 | 12,889 |
| **Increase/(decrease) in exposure from currency derivatives** | (84) | (58) | (37) | (20) | - | 199 | - |
| **Total currency exposure** | 4,965 | 2,977 | 2,513 | 1,311 | 275 | 848 | 12,889 |

* Includes listed equities, listed unit trust holdings and forward foreign exchange contracts which have been classified as Australian Dollar exposure in the above analysis.

** Where margin calls on margin accounts and cash held on collateral can only be made to counterparties in Australian Dollars, the balances are disclosed separately in the currency exposure tables and are aggregated in the Statements of Financial Position.

## 3 Financial Risk Management (continued)

**(a) Market Risk (continued)**

**(ii) Foreign Exchange Risk (continued)**

| | iShares MSCI World ex Australia Momentum ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **30 June 2024** | **United States Dollar A$'000** | **Japanese Yen A$'000** | **European Euro A$'000** | **Danish Krone A$'000** | **British Pound A$'000** | **Other Currencies A$'000** | **Total A$'000** |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 22 | 8 | 3 | 1 | 1 | 5 | 40 |
| Financial assets held at fair value through profit or loss* | 8,491 | 1,720 | 955 | 299 | 211 | 440 | 12,116 |
| Cash held on collateral** | - | 2 | - | - | - | - | 2 |
| Receivables | 8 | 5 | - | - | 1 | 1 | 15 |
| **Total assets** | 8,521 | 1,735 | 958 | 300 | 213 | 446 | 12,173 |
| **Liabilities** | | | | | | | |
| Payables | - | - | - | - | - | 5 | 5 |
| **Total liabilities** | - | - | - | - | - | 5 | 5 |
| **Total currency exposure** | 8,521 | 1,735 | 958 | 300 | 213 | 441 | 12,168 |
| **Increase/(decrease) in exposure from currency derivatives** | (25) | (7) | (2) | (1) | - | 35 | - |
| **Total currency exposure** | 8,496 | 1,728 | 956 | 299 | 213 | 476 | 12,168 |

* Includes listed equities, listed unit trust holdings and forward foreign exchange contracts which have been classified as Australian Dollar exposure in the above analysis.

** Where margin calls on margin accounts and cash held on collateral can only be made to counterparties in Australian Dollars, the balances are disclosed separately in the currency exposure tables and are aggregated in the Statements of Financial Position.

## 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

| | iShares MSCI World ex Australia Quality ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **30 June 2024** | **United States Dollar A$'000** | **European Euro A$'000** | **Swiss Francs A$'000** | **British Pound A$'000** | **Danish Krone A$'000** | **Other Currencies A$'000** | **Total A$'000** |
| **Assets** | | | | | | | |
| Cash and cash equivalents | **25** | **4** | **4** | **3** | **2** | **12** | **50** |
| Financial assets held at fair value through profit or loss* | **9,533** | **974** | **613** | **505** | **463** | **664** | **12,752** |
| Cash held on collateral** | **3** | **-** | **-** | **-** | **-** | **-** | **3** |
| Receivables | **42** | **2** | **8** | **4** | **-** | **22** | **78** |
| **Total assets** | **9,603** | **980** | **625** | **512** | **465** | **698** | **12,883** |
| **Liabilities** | | | | | | | |
| Payables | **-** | **-** | **-** | **-** | **-** | **5** | **5** |
| **Total liabilities** | **-** | **-** | **-** | **-** | **-** | **5** | **5** |
| **Total currency exposure** | **9,603** | **980** | **625** | **512** | **465** | **693** | **12,878** |
| **Increase/(decrease) in exposure from currency derivatives** | **(39)** | **(3)** | **(5)** | **(4)** | **-** | **51** | **-** |
| **Total currency exposure** | **9,564** | **977** | **620** | **508** | **465** | **744** | **12,878** |

* Includes listed equities, listed unit trust holdings and forward foreign exchange contracts which have been classified as Australian Dollar exposure in the above analysis.

** Where margin calls on margin accounts and cash held on collateral can only be made to counterparties in Australian Dollars, the balances are disclosed separately in the currency exposure tables and are aggregated in the Statements of Financial Position.

# 3 Financial Risk Management (continued)

## (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **30 June 2024** | **Australian Dollar A$** | **Japanese Yen A$** | **European Euro A$** | **Swiss Francs A$** | **Hong Kong Dollar A$** | **Other Currencies A$** | **Total $** |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 323 | - | - | - | - | - | 323 |
| Forward foreign exchange contracts | 10,494 | 1 | - | - | - | - | 10,495 |
| Listed unit trusts | 717,472 | - | - | - | - | - | 717,472 |
| Receivables | 3,991 | - | - | - | - | - | 3,991 |
| **Total assets** | 732,280 | 1 | - | - | - | - | 732,281 |
| **Liabilities** | | | | | | | |
| Forward foreign exchange contracts | 189 | 25 | 3 | 1 | 1 | 1 | 220 |
| Payables | 356 | - | - | - | - | - | 356 |
| **Total liabilities** | 545 | 25 | 3 | 1 | 1 | 1 | 576 |
| **Total currency exposure** | 731,735 | (24) | (3) | (1) | (1) | (1) | 731,705 |
| **Increase/(decrease) in exposure from currency derivatives** | 726,380 | (173,424) | (144,022) | (11,723) | (5,957) | (391,254) | - |
| **Total currency exposure** | 1,458,115 | (173,448) | (144,025) | (11,724) | (5,958) | (391,255) | 731,705 |

## 3 Financial Risk Management (continued)

### (a) Market Risk (continued)

### (ii) Foreign Exchange Risk (continued)

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **30 June 2024** | **Australian Dollar A$** | **Swiss Francs A$** | **Japanese Yen A$** | **Danish Krone A$** | **European Euro A$** | **Other Currencies A$** | **Total $** |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 163 | - | - | - | - | - | 163 |
| Forward foreign exchange contracts | 3,816 | - | - | - | - | - | 3,816 |
| Listed unit trusts | 660,632 | - | - | - | - | - | 660,632 |
| Receivables | 1,922 | - | - | - | - | - | 1,922 |
| **Total assets** | 666,533 | - | - | - | - | - | 666,533 |
| **Liabilities** | | | | | | | |
| Forward foreign exchange contracts | 23 | 4 | 2 | 2 | 1 | - | 32 |
| Payables | 299 | - | - | - | - | - | 299 |
| **Total liabilities** | 322 | 4 | 2 | 2 | 1 | - | 331 |
| **Total currency exposure** | 666,211 | (4) | (2) | (2) | (1) | - | 666,202 |
| **Increase/(decrease) in exposure from currency derivatives** | 659,769 | (31,828) | (16,514) | (23,848) | (50,627) | (536,952) | - |
| **Total currency exposure** | 1,325,980 | (31,832) | (16,516) | (23,850) | (50,628) | (536,952) | 666,202 |

### (iii) Interest Rate Risk

The majority of the Funds' financial assets and liabilities are non-interest bearing. As a result, the Funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of markets interest rates.

## 3 Financial Risk Management (continued)

**(a) Market Risk (continued)**

**(iii) Interest Rate Risk (continued)**

The Funds' exposure to cash flow interest rate risk is limited to their cash and cash equivalents and cash held on collateral accounts, which are floating rate interest bearing investments. As at 30 June 2024 the total investment in cash and margin accounts of the Funds is set out in the following table:

| | 30 June 2024 $ |
|---|---|
| iShares MSCI World ex Australia Value ETF | **87,251** |
| iShares MSCI World ex Australia Momentum ETF | **41,392** |
| iShares MSCI World ex Australia Quality ETF | **52,261** |
| iShares MSCI World ex Australia Value (AUD Hedged) ETF | **323** |
| iShares MSCI World ex Australia Quality (AUD Hedged) ETF | **163** |

Interest rate risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Funds' net assets attributable to unitholders.

The disclosure for the Funds have not been made on a look through basis for investments held indirectly through the underlying fund. The disclosure of interest rate risk may not present the true interest rate risk profile of the Funds where the underlying fund has significant exposure to interest rate risk.

**(b) Summarised VaR Analysis**

Value at Risk (VaR) is a risk model used to estimate the potential losses that could occur on the Funds' net asset value position due to movements in interest rates, currency and market prices over a given period and for a specified degree of confidence.

The Responsible Entity uses VaR analysis and/or tracking error estimates to measure and manage risk as these are commonly used and understood models, are easily interpreted and are consistent across different types, asset classes and types of funds. For the purpose of these accounts VaR analysis has been presented. The objective in all cases is to estimate potential losses and manage the downside risk.

The following tables summarise the outputs of the VaR model in relation to interest rate, currency and price risk exposures. The total VaR figures are not the sum of individual risk components as this does not include correlations between different risk factors.

The Responsible Entity calculates the VaR relative to the Funds' total value. The analysis implies that the Manager can be 95% confident that the value of the portfolio will not decrease by any more than the figures in the table below over the 5 day period from 30 June.

| | iShares MSCI World ex Australia Value ETF 30 June 2024 | |
|---|---|---|
| | $'000^ | % |
| Total Portfolio Risk | **334** | **2.59** |

| | iShares MSCI World ex Australia Momentum ETF 30 June 2024 | |
|---|---|---|
| | $'000^ | % |
| Total Portfolio Risk | **398** | **3.27** |

## 3 Financial Risk Management (continued)

**(b) Summarised VaR Analysis (continued)**

| | iShares MSCI World ex Australia Quality ETF 30 June 2024 | |
|---|---|---|
| | $'000^ | % |
| Total Portfolio Risk | **358** | **2.78** |

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF 30 June 2024 | |
|---|---|---|
| | $^ | % |
| Total Portfolio Risk | **22,463** | **3.07** |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF 30 June 2024 | |
|---|---|---|
| | $^ | % |
| Total Portfolio Risk | **21,785** | **3.27** |

^VaR has been calculated on Net Assets Attributable to Unitholders before rounding.

***Detailed information about the models***

There are a number of different VaR models used within the Funds Management industry. The Responsible Entity uses one or more of ex-ante and ex-post estimates of portfolio risk and the Monte Carlo simulation model depending on the fund type. Models are calculated using historical data and a covariance matrix where applicable.

The models used by the Responsible Entity have the following features:

- VaR is calculated to a 95 per cent confidence level. VaR at a confidence level identifies the maximum expected loss under that confidence level;
- VaR is calculated for a 5 day holding period. The time horizon of five days is selected to coincide with the period used to analyse the portfolio positions. The risk data is examined in various daily, weekly and monthly forums; and
- The portfolio VaR is not the simple sum of individual asset stand alone VaRs; the correlations among assets in the portfolio are considered.

Although VaR is a valuable risk management tool it should be interpreted, as with all predictive models, with consideration to its assumptions and limitations. The main assumptions and limitations are listed below:

- Some models assume certain financial variables are normally distributed: The normality assumption allows the Responsible Entity to scale portfolio risk estimates to the appropriate confidence levels. The normality assumption is derived from statistical analysis for examining sample populations of observations and the implications of not assuming normality would preclude the use of most statistical tools including mainstream commercial models for risk measurement.
- The use of historical returns and correlations between assets would not take into account future potential events: It is a commonly stated and well recognised limitation that past performance is not a reliable indicator of future performance.
- Model risk, in general terms, is a known limitation that includes: the quality or accuracy of the underlying data, where significant events occur within the data, the changing sensitivity of the Funds' assets to external market factors over time, and appreciating that using only one model may be limiting in itself to obtaining the best understanding of a Funds' risk position.

The Responsible Entity acknowledges these limitations and thus compares ex-ante and ex-post risk estimates to review expectations versus actual outcomes. Should ex-post values differ significantly from ex-ante returns, an assessment of the reasons for this will be made.

## 3 Financial Risk Management (continued)

### (b) Summarised VaR Analysis (continued)

***Detailed information about the models (continued)***

The Funds' risk is managed with constant review of both performance and risk numbers by the investment professionals within the business. These reviews consist of:

- Weekly meetings between the global members of Risk & Quantitative Analysis (RQA). These meetings include RQA Australia.
- Monthly meetings between RQA and the Fund Managers.
- Monthly meetings between RQA and the Chief Investment Officer.
- Ad hoc presentations to the Investment Risk Management Working Group (IRMWG) to keep IRMWG abreast of RQA processes and latest updates.
- Daily report of performance figures along with a comparison of ex-ante versus ex-post returns sent to RQA London.
- RQA professionals work closely with the Fund Managers every day.

### (c) Credit Risk Exposure

Credit risk is the risk that the counterparty will fail to perform contractual obligations, either in whole or in part, when they fall due.

Credit risk primarily arises from the Funds' investment in debt instruments and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and other receivables.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market.

#### (i) Interest Bearing Securities

The Funds do not have any direct holding in interest bearing securities. As a result, the Funds may be exposed to other credit risk from cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and other receivables.

#### (ii) Derivatives

All exchange traded derivatives are executed through brokers, and cleared through a clearing broker and approved by the IRMWG. Over the counter derivative transactions are conducted only with approved counterparties, who meet the applicable specific Funds requirements and where trading documentation is in place.

To minimise credit risk, the Funds only transact with counterparties of investment grade quality (BBB- or above as rated by Standard & Poor's). The Responsible Entity has a process in place to assess the creditworthiness of counterparties and assess that the risk is evenly distributed. Matters arising in relation to counterparties are reviewed regularly by the RQA.

#### (iii) Settlement of Securities Transactions

All transactions 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 a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

#### (iv) Other Credit Risk

The exposure to credit risk for cash and cash equivalents, deposits with banks and other financial institutions is considered to be minimal due to the high credit rating of the relevant financial institution. VaR analysis is also used to manage and measure the credit risk of the Funds.

The Funds are not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents, other financial assets and collateral held and pledged.

The clearing and depository operations for the Funds' security transactions are mainly concentrated with one counterparty, namely JP Morgan Chase Bank NA ("J.P. Morgan"). J.P. Morgan is a member of a major securities exchange, and at 30 June 2024 had a credit rating of A-1 (17 January 2024: A-1). At 30 June 2024, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by J.P. Morgan.

## 3 Financial Risk Management (continued)

### (d) Liquidity and Cash Flow 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. The Statements of Financial Position are presented on a liquidity basis and disclosed in Note 2(a).

The Funds are exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to satisfy usual redemption volumes and restricting the investment activities of the Funds to securities that are actively traded and highly liquid. The Funds also maintain continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Responsible Entity considers and maintains the liquidity of the Funds, in the context of the investment objectives and liquidity requirements of the Funds. Operational procedures are in place to review margin requirements on futures contracts. IRMWG reviews liquidity reports to ensure the Funds have sufficient liquidity to pay client redemptions and meet margin calls as required.

The following tables analyse the Funds' financial liabilities and derivative financial instruments (as appropriate) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are contractual undiscounted cash flows.

| | iShares MSCI World ex Australia Value ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 30 June 2024** | **Less than 1 month $'000** | **1 - 3 months $'000** | **3 - 6 months $'000** | **6 - 12 months $'000** | **1 - 3 years $'000** | **3+ years $'000** | **Total $'000** |
| **Liabilities** | | | | | | | |
| Financial liabilities held at fair value through profit or loss | | | | | | | |
| Inflow | **315** | **-** | **-** | **-** | **-** | **-** | **315** |
| Outflow | **(315)** | **-** | **-** | **-** | **-** | **-** | **(315)** |
| Payables | **(3)** | **(3)** | **-** | **-** | **-** | **-** | **(6)** |
| **Total liabilities** | **(3)** | **(3)** | **-** | **-** | **-** | **-** | **(6)** |

| | iShares MSCI World ex Australia Momentum ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 30 June 2024** | **Less than 1 month $'000** | **1 - 3 months $'000** | **3 - 6 months $'000** | **6 - 12 months $'000** | **1 - 3 years $'000** | **3+ years $'000** | **Total $'000** |
| **Liabilities** | | | | | | | |
| Financial liabilities held at fair value through profit or loss | | | | | | | |
| Inflow | **45** | **-** | **-** | **-** | **-** | **-** | **45** |
| Outflow | **(45)** | **-** | **-** | **-** | **-** | **-** | **(45)** |
| Payables | **(3)** | **(2)** | **-** | **-** | **-** | **-** | **(5)** |
| **Total liabilities** | **(3)** | **(2)** | **-** | **-** | **-** | **-** | **(5)** |

# 3 Financial Risk Management (continued)

## (d) Liquidity and Cash Flow Risk (continued)

| | iShares MSCI World ex Australia Quality ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 30 June 2024** | **Less than 1 month $'000** | **1 - 3 months $'000** | **3 - 6 months $'000** | **6 - 12 months $'000** | **1 - 3 years $'000** | **3+ years $'000** | **Total $'000** |
| **Liabilities** | | | | | | | |
| Financial liabilities held at fair value through profit or loss | | | | | | | |
| Inflow | **94** | - | - | - | - | - | **94** |
| Outflow | **(94)** | - | - | - | - | - | **(94)** |
| Payables | **(2)** | **(3)** | - | - | - | - | **(5)** |
| **Total liabilities** | **(2)** | **(3)** | - | - | - | - | **(5)** |

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 30 June 2024** | **Less than 1 month $** | **1 - 3 months $** | **3 - 6 months $** | **6 - 12 months $** | **1 - 3 years $** | **3+ years $** | **Total $** |
| **Liabilities** | | | | | | | |
| Financial liabilities held at fair value through profit or loss | | | | | | | |
| Inflow | **253,968** | **406,770** | - | - | - | - | **660,738** |
| Outflow | **(254,135)** | **(406,823)** | - | - | - | - | **(660,958)** |
| Payables | **(188)** | **(168)** | - | - | - | - | **(356)** |
| **Total liabilities** | **(355)** | **(221)** | - | - | - | - | **(576)** |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF | | | | | | |
|---|---|---|---|---|---|---|---|
| **At 30 June 2024** | **Less than 1 month $** | **1 - 3 months $** | **3 - 6 months $** | **6 - 12 months $** | **1 - 3 years $** | **3+ years $** | **Total $** |
| **Liabilities** | | | | | | | |
| Financial liabilities held at fair value through profit or loss | | | | | | | |
| Inflow | **83,538** | **150,921** | - | - | - | - | **234,459** |
| Outflow | **(83,549)** | **(150,942)** | - | - | - | - | **(234,491)** |
| Payables | **(149)** | **(150)** | - | - | - | - | **(299)** |
| **Total liabilities** | **(160)** | **(171)** | - | - | - | - | **(331)** |

## (e) Fair Values of Financial Assets and Liabilities

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statements of Profit or Loss and Other Comprehensive Income.

The carrying value of other receivables (less impairment provision) and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

*(i) Fair value in an active market*

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

## 3 Financial Risk Management (continued)

### (e) Fair Values of Financial Assets and Liabilities (continued)

*(i) Fair value in an active market (continued)*

The Funds value their investments in accordance with the accounting policies set out in Note 2(b). For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets and financial liabilities held by the Funds is the last traded market price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by the Responsible Entity to determine the appropriate valuation price to use that is most representative of fair value.

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

*(ii) 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. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward foreign exchange 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 net asset value per unit as reported by the Responsible Entity of such funds.

### (f) Fair Value Hierarchy

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level 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. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table present the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2024.

## 3 Financial Risk Management (continued)

### (f) Fair Value Hierarchy (continued)

| | iShares MSCI World ex Australia Value ETF | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2024** | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Futures | 1 | - | - | 1 |
| Listed equity securities | 12,433 | - | - | 12,433 |
| Listed unit trusts | 145 | - | - | 145 |
| **Total** | 12,579 | - | - | 12,579 |
| **Financial liabilities** | | | | |
| Forward foreign exchange contracts | - | -* | - | -* |
| **Total** | - | -* | - | -* |

| | iShares MSCI World ex Australia Momentum ETF | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2024** | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Listed equity securities | 12,110 | - | - | 12,110 |
| Listed unit trusts | 6 | - | - | 6 |
| **Total** | 12,116 | - | - | 12,116 |

| | iShares MSCI World ex Australia Quality ETF | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2024** | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Futures | -* | - | - | -* |
| Listed equity securities | 12,706 | - | - | 12,706 |
| Listed unit trusts | 46 | - | - | 46 |
| **Total** | 12,752 | - | - | 12,752 |
| **Financial liabilities** | | | | |
| Forward foreign exchange contracts | - | -* | - | -* |
| **Total** | - | -* | - | -* |

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2024** | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Forward foreign exchange contracts | - | 10,495 | - | 10,495 |
| Listed unit trusts | 717,472 | - | - | 717,472 |
| **Total** | 717,472 | 10,495 | - | 727,967 |
| **Financial liabilities** | | | | |
| Forward foreign exchange contracts | - | 220 | - | 220 |
| **Total** | - | 220 | - | 220 |

* The amount is nil when it is rounded to the nearest thousand dollar.

# 3 Financial Risk Management (continued)

**(f) Fair Value Hierarchy (continued)**

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 June 2024** | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Forward foreign exchange contracts | - | 3,816 | - | 3,816 |
| Listed unit trusts | 660,632 | - | - | 660,632 |
| **Total** | 660,632 | 3,816 | - | 664,448 |
| **Financial liabilities** | | | | |
| Forward foreign exchange contracts | - | 32 | - | 32 |
| **Total** | - | 32 | - | 32 |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, trusts, exchange traded derivatives and money market securities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment grade corporate bonds, certain listed equities, certain unlisted unit trusts, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

The fair value of a forward foreign exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. Future cash flows are estimated using FX forward exchange rates and the contracted rates. Cash flows are discounted at a rate that reflects the time value of money and credit risk.

The Funds' assets and liabilities not measured at fair value on a recurring basis (but fair value disclosures are required) at 30 June 2024 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the end of the reporting date.

The Funds did not hold any level 3 instruments during the period ended 30 June 2024.

There were no transfers between levels for recurring fair value measurements during the period ended 30 June 2024.

# 3 Financial Risk Management (continued)

### (g) Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities are reported on a gross basis in the Statements of Financial Position. The Funds do not intend to make payments with each counterparty on a net basis therefore the gross amounts below are shown in their Statements of Financial Position. The gross and net positions of financial assets and liabilities are disclosed in the following tables:

**iShares MSCI World ex Australia Value ETF**

| | | Gross amounts not offset on the Statement of Financial Position | | | |
|---|---|---|---|---|---|
| 30 June 2024 | Gross amount of financial instruments presented in the Statement of Financial Position $'000 | Amounts subject to master netting arrangements $'000 | Net amount excluding collateral $'000 | Cash collateral received/posted $'000 | Net amount $'000 |
| **Financial assets** | | | | | |
| Derivatives | 1 | - | 1 | - | 1 |
| **Total** | 1 | - | 1 | - | 1 |
| **Financial liabilities** | | | | | |
| Derivatives | -* | - | -* | -* | - |
| **Total** | -* | - | -* | -* | - |

* The amount is nil when it is rounded to the nearest thousand dollar.

**iShares MSCI World ex Australia Momentum ETF**

| | | Gross amounts not offset on the Statement of Financial Position | | | |
|---|---|---|---|---|---|
| 30 June 2024 | Gross amount of financial instruments presented in the Statement of Financial Position $'000 | Amounts subject to master netting arrangements $'000 | Net amount excluding collateral $'000 | Cash collateral received/posted $'000 | Net amount $'000 |
| **Financial assets** | | | | | |
| **Total** | -* | - | -* | - | -* |
| **Financial liabilities** | | | | | |
| Derivatives | -* | - | -* | -* | - |
| **Total** | -* | - | -* | -* | - |

* The amount is nil when it is rounded to the nearest thousand dollar.

# 3 Financial Risk Management (continued)

## (g) Offsetting Financial Assets and Financial Liabilities (continued)

**iShares MSCI World ex Australia Quality ETF**

| | | Gross amounts not offset on the Statement of Financial Position | | | |
|---|---|---|---|---|---|
| **30 June 2024** | **Gross amount of financial instruments presented in the Statement of Financial Position $'000** | **Amounts subject to master netting arrangements $'000** | **Net amount excluding collateral $'000** | **Cash collateral received/posted $'000** | **Net amount $'000** |
| **Financial assets** | | | | | |
| **Total** | -* | -* | -* | - | -* |
| **Financial liabilities** | | | | | |
| Derivatives | -* | -* | -* | -* | - |
| **Total** | -* | -* | -* | -* | - |

* The amount is nil when it is rounded to the nearest thousand dollar.

**iShares MSCI World ex Australia Value (AUD Hedged) ETF**

| | | Gross amounts not offset on the Statement of Financial Position | | | |
|---|---|---|---|---|---|
| **30 June 2024** | **Gross amount of financial instruments presented in the Statement of Financial Position $** | **Amounts subject to master netting arrangements $** | **Net amount excluding collateral $** | **Cash collateral received/posted $** | **Net amount $** |
| **Financial assets** | | | | | |
| Derivatives | 10,495 | 68 | 10,427 | - | 10,427 |
| **Total** | 10,495 | 68 | 10,427 | - | 10,427 |
| **Financial liabilities** | | | | | |
| Derivatives | 220 | 68 | 152 | - | 152 |
| **Total** | 220 | 68 | 152 | - | 152 |

## 3 Financial Risk Management (continued)

### (g) Offsetting Financial Assets and Financial Liabilities (continued)

**iShares MSCI World ex Australia Quality (AUD Hedged) ETF**

| | | Gross amounts not offset on the Statement of Financial Position | | | |
|---|---|---|---|---|---|
| 30 June 2024 | Gross amount of financial instruments presented in the Statement of Financial Position $ | Amounts subject to master netting arrangements $ | Net amount excluding collateral $ | Cash collateral received/posted $ | Net amount $ |
| **Financial assets** | | | | | |
| Derivatives | 3,816 | 11 | 3,805 | - | 3,805 |
| **Total** | 3,816 | 11 | 3,805 | - | 3,805 |
| **Financial liabilities** | | | | | |
| Derivatives | 32 | 11 | 21 | - | 21 |
| **Total** | 32 | 11 | 21 | - | 21 |

Agreements with the derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, if on any date amounts would otherwise be payable in the same currency and in respect to the same transaction with the counterparty, the obligation may be automatically satisfied and discharged if the party with the larger aggregate amount pays to the other party the excess of the larger aggregate amount over the smaller aggregate amount. In the event of default, the aggregation into a net position owing/receivable to a single counterparty is subject to the terms of the arrangements and the insolvency laws of the relevant jurisdiction of the party in default.

## 4 Net Assets Attributable to Unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments that meet the definition of a financial liability are to be classified as equity when certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. Refer to Note 2(d) for further details.

The Funds meet the criteria set out under AASB 132 and net assets attributable to unitholders is classified as equity. Refer to Note 2(d) for further details.

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds. Units are created and redeemed at the unitholders' option at prices based on the value of the Funds' net assets at the time of creation/redemption less transaction costs.

**Movement in number of units and net assets attributable to unitholders during the period were as follows:**

| | iShares MSCI World ex Australia Value ETF | | iShares MSCI World ex Australia Momentum ETF | |
|---|---|---|---|---|
| | 30 June 2024 No.'000 | 30 June 2024 $'000 | 30 June 2024 No.'000 | 30 June 2024 $'000 |
| Profit/(loss) for the period | - | 93 | - | 871 |
| Creations | 570 | 14,469 | 480 | 12,146 |
| Redemptions | (60) | (1,673) | (30) | (849) |
| **Closing balance** | 510 | 12,889 | 450 | 12,168 |

## 4 Net Assets Attributable to Unitholders (continued)

| | iShares MSCI World ex Australia Quality ETF | | iShares MSCI World ex Australia Value (AUD Hedged) ETF | |
|---|---|---|---|---|
| | 30 June 2024 | 30 June 2024 | 30 June 2024 | 30 June 2024 |
| | No.'000 | $'000 | No. | $ |
| Profit/(loss) for the period | - | 853 | - | 24,973 |
| Creations | 480 | 12,025 | 36,000 | 911,993 |
| Redemptions | - | - | (8,000) | (205,261) |
| **Closing balance** | 480 | 12,878 | 28,000 | 731,705 |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF | |
|---|---|---|
| | 30 June 2024 | 30 June 2024 |
| | No. | $ |
| Profit/(loss) for the period | - | 68,283 |
| Creations | 24,000 | 597,919 |
| **Closing balance** | 24,000 | 666,202 |

**Capital Risk Management**

The Funds manage their net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily creations and redemptions at the discretion of unitholders.

The Funds monitor the level of daily creations and redemptions relative to the liquid assets in the Funds. As of 30 June 2024 the capital of the Funds are represented in the net assets attributable to unitholders table.

In the event of a significant redemption, the Funds' Constitutions allow the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitutions allow payment to be delayed beyond the maximum number of days.

## 5 Financial Assets Held at Fair Value Through Profit or Loss

| | iShares MSCI World ex Australia Value ETF | iShares MSCI World ex Australia Momentum ETF |
|---|---|---|
| | As at | As at |
| | 30 June 2024 $'000 | 30 June 2024 $'000 |
| Futures | 1 | - |
| Listed equity securities | 12,433 | 12,110 |
| Listed unit trusts | 145 | 6 |
| **Total financial assets held at fair value through profit or loss** | 12,579 | 12,116 |

## 5 Financial Assets Held at Fair Value Through Profit or Loss (continued)

| | iShares MSCI World ex Australia Quality ETF As at 30 June 2024 $'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF As at 30 June 2024 $ |
|---|---|---|
| Futures | -* | - |
| Forward foreign exchange contracts | - | 10,495 |
| Listed equity securities | 12,706 | - |
| Listed unit trusts | 46 | 717,472 |
| **Total financial assets held at fair value through profit or loss** | **12,752** | **727,967** |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF As at 30 June 2024 $ |
|---|---|
| Forward foreign exchange contracts | 3,816 |
| Listed unit trusts | 660,632 |
| **Total financial assets held at fair value through profit or loss** | **664,448** |

* The amount is nil when it is rounded to the nearest thousand dollar.

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in Note 3.

## 6 Receivables

| | iShares MSCI World ex Australia Value ETF As at 30 June 2024 $'000 | iShares MSCI World ex Australia Momentum ETF As at 30 June 2024 $'000 |
|---|---|---|
| Settlements receivable | 203 | 10 |
| Dividends/distributions receivable | 20 | 4 |
| Tax reclaim receivable | 5 | - |
| Other receivables | 1 | 1 |
| **Total** | **229** | **15** |

## 6 Receivables (continued)

| | iShares MSCI World ex Australia Quality ETF<br>As at<br>30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>As at<br>30 June 2024<br>$ |
|---|---|---|
| Settlements receivable | **69** | **3,661** |
| Dividends/distributions receivable | **5** | **-** |
| Fee rebates from related schemes receivable | **-** | **302** |
| Tax reclaim receivable | **3** | **-** |
| Other receivables | **1** | **28** |
| **Total** | **78** | **3,991** |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>As at<br>30 June 2024<br>$ |
|---|---|
| Settlements receivable | **1,634** |
| Fee rebates from related schemes receivable | **264** |
| Other receivables | **24** |
| **Total** | **1,922** |

There are no past due (not impaired) or expected credit losses included in the above receivables as at 30 June 2024.

## 7 Financial Liabilities Held at Fair Value Through Profit or Loss

| | iShares MSCI World ex Australia Value ETF As at 30 June 2024 $'000 | iShares MSCI World ex Australia Quality ETF As at 30 June 2024 $'000 |
|---|---|---|
| Forward foreign exchange contracts | -* | -* |
| **Total financial liabilities held at fair value through profit or loss** | **-*** | **-*** |

| | iShares MSCI World ex Australia Value (AUD Hedged) ETF As at 30 June 2024 $ | iShares MSCI World ex Australia Quality (AUD Hedged) ETF As at 30 June 2024 $ |
|---|---|---|
| Forward foreign exchange contracts | 220 | 32 |
| **Total financial liabilities held at fair value through profit or loss** | **220** | **32** |

* The amount is nil when it is rounded to the nearest thousand dollar.

An overview of the risk exposures relating to financial liabilities held at fair value through profit or loss is included in Note 3.

## 8 Payables

| | iShares MSCI World ex Australia Value ETF As at 30 June 2024 $'000 | iShares MSCI World ex Australia Momentum ETF As at 30 June 2024 $'000 |
|---|---|---|
| Management fees payable | 6 | 5 |
| **Total** | **6** | **5** |

| | iShares MSCI World ex Australia Quality ETF As at 30 June 2024 $'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF As at 30 June 2024 $ |
|---|---|---|
| Management fees payable | 5 | 342 |
| Custody fees payable | - | 14 |
| **Total** | **5** | **356** |

## 8 Payables (continued)

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>As at<br>30 June 2024<br>$ |
|---|---|
| Management fees payable | 299 |
| **Total** | **299** |

## 9 Related Party Transactions

**Responsible Entity**

The Responsible Entity of the iShares International Funds 2 is BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975, AFSL 230523) whose ultimate holding company is BlackRock, Inc.

BlackRock Investment Management (Australia) Limited is incorporated in Australia and BlackRock, Inc. is incorporated in the United States of America.

**Key management personnel**

**Directors**

Key management personnel include persons who were directors of the Responsible Entity at any time during the financial period as follows:

| Director | Date appointed |
|---|---|
| M S McCorry | Appointed 2 December 2009 |
| J Collins | Appointed 29 July 2015 |
| A Landman | Appointed 3 February 2020 |
| I Davila | Appointed 5 March 2020 |

**Other key management personnel**

No other person had authority and responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the financial period.

**Key management personnel unitholdings**

At 30 June 2024 no key management personnel held units in the Funds.

**Key management personnel compensation**

Key management personnel are paid by the Responsible Entity. Payments made from the Funds to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

**Key management personnel loan disclosures**

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

## 9 Related Party Transactions (continued)

**Responsible Entity's fees and other transactions**

In accordance with the Funds' Constitutions, the Responsible Entity was entitled to receive fees for the provision of services to the Funds.

| At 30 June 2024 | Management fees $ | Fee rebates from related schemes $ |
|---|---|---|
| iShares MSCI World ex Australia Value ETF | 11,397 | - |
| iShares MSCI World ex Australia Momentum ETF | 10,767 | - |
| iShares MSCI World ex Australia Quality ETF | 11,099 | - |
| iShares MSCI World ex Australia Value (AUD Hedged) ETF | 675 | 607 |
| iShares MSCI World ex Australia Quality (AUD Hedged) ETF | 601 | 537 |

**Investments**

The Funds held investments in the following schemes which were also managed by the Responsible Entity or its related parties:

**iShares MSCI World ex Australia Quality ETF**

| 30 June 2024 | Number of units held at period end Units | Fair value of units held at period end $ | Value of units purchased during the period $ | Value of units sold during the period $ | Interest held at period end % | Distribution received/ receivable during the period $ |
|---|---|---|---|---|---|---|
| Blackrock Inc. | 52 | 61,302 | 62,809 | - | 0.00** | 645* |

**iShares MSCI World ex Australia Value (AUD Hedged) ETF**

| 30 June 2024 | Number of units held at period end Units | Fair value of units held at period end $ | Value of units purchased during the period $ | Value of units sold during the period $ | Interest held at period end % | Distribution received/ receivable during the period $ |
|---|---|---|---|---|---|---|
| iShares MSCI World Ex Australia Value ETF | 28,381 | 717,472 | 942,882 | 219,435 | 5.56 | -* |

**iShares MSCI World ex Australia Quality (AUD Hedged) ETF**

| 30 June 2024 | Number of units held at period end Units | Fair value of units held at period end $ | Value of units purchased during the period $ | Value of units sold during the period $ | Interest held at period end % | Distribution received/ receivable during the period $ |
|---|---|---|---|---|---|---|
| iShares MSCI World EX Australia Quality ETF | 24,279 | 660,632 | 616,488 | 12,853 | 5.06 | -* |

* The amount is net of withholding taxes

** The amount is nil when it is rounded to two decimal places

**Related party schemes' unit holdings**

The Responsible Entity and its related parties did not hold any units in the Funds as at 30 June 2024.

## 9 Related Party Transactions (continued)

**Other transactions with the Funds**

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Funds since the inception of the Funds and there were no material contracts involving key management personnel's interests subsisting at period end.

## 10 Remuneration of Auditor

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

| | iShares MSCI World ex Australia Value ETF | iShares MSCI World ex Australia Momentum ETF |
|---|---|---|
| | For the period 17 January 2024 to 30 June 2024 $ | For the period 17 January 2024 to 30 June 2024 $ |
| **Deloitte Touche Tohmatsu** | | |
| Audit and review of the financial statements | 7,494 | 7,494 |
| Statutory assurance services required by legislation to be provided by the auditor | 1,353 | 1,353 |
| **Total** | 8,847 | 8,847 |

| | iShares MSCI World ex Australia Quality ETF | iShares MSCI World ex Australia Value (AUD Hedged) ETF |
|---|---|---|
| | For the period 17 January 2024 to 30 June 2024 $ | For the period 17 January 2024 to 30 June 2024 $ |
| **Deloitte Touche Tohmatsu** | | |
| Audit and review of the financial statements | 7,494 | 7,494 |
| Statutory assurance services required by legislation to be provided by the auditor | 1,353 | 1,353 |
| **Total** | 8,847 | 8,847 |

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF |
|---|---|
| | For the period 17 January 2024 to 30 June 2024 $ |
| **Deloitte Touche Tohmatsu** | |
| Audit and review of the financial statements | 7,494 |
| Statutory assurance services required by legislation to be provided by the auditor | 1,353 |
| **Total** | 8,847 |

The audit fees paid or payable are discharged by the Responsible Entity from the fees earned from the Funds.

## 11 Reconciliation of Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

| | iShares MSCI World ex Australia Value ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Momentum ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 |
|---|---|---|
| **(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities** | | |
| Operating profit/(loss) for the period | **93** | **871** |
| Net (gains)/losses on financial assets and liabilities held at fair value through profit or loss (including any FX (gains)/losses) | **88** | **(834)** |
| Proceeds from sale of financial instruments held at fair value through profit or loss | **2,840** | **4,774** |
| Purchases of financial instruments held at fair value through profit or loss | **(15,712)** | **(16,067)** |
| Net change in receivables and other assets | **(26)** | **(5)** |
| Net change in accounts payables and accrued liabilities | **6** | **5** |
| **Net cash inflow/(outflow) from operating activities** | **(12,711)** | **(11,256)** |
| **(b) Components of cash and cash equivalents** | | |
| Cash as at the end of the period as shown in the Statements of Cash Flows is reconciled to the Statements of Financial Position as follows: | | |
| Cash | **81** | **40** |
| **Total cash and cash equivalents** | **81** | **40** |
| **(c) Non-cash financing activities** | | |
| During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | - | - |

The changes in these amounts each period (as reported in (c) above) represents a non cash financing cost as it is not settled in cash until such time as it becomes attributable (i.e. taxable).

# 11 Reconciliation of Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities (continued)

| | iShares MSCI World ex Australia Quality ETF<br>For the period 17 January 2024 to 30 June 2024<br>$'000 | iShares MSCI World ex Australia Value (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|---|
| **(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities** | | |
| Operating profit/(loss) for the period | **853** | **24,973** |
| Net (gains)/losses on financial assets and liabilities held at fair value through profit or loss (including any FX (gains)/losses) | **(801)** | **(26,039)** |
| Proceeds from sale of financial instruments held at fair value through profit or loss | **1,447** | **237,284** |
| Purchases of financial instruments held at fair value through profit or loss | **(13,468)** | **(942,653)** |
| Net change in receivables and other assets | **(9)** | **(330)** |
| Net change in accounts payables and accrued liabilities | **5** | **356** |
| **Net cash inflow/(outflow) from operating activities** | **(11,973)** | **(706,409)** |
| **(b) Components of cash and cash equivalents** | | |
| Cash as at the end of the period as shown in the Statements of Cash Flows is reconciled to the Statements of Financial Position as follows: | | |
| Cash | **50** | **323** |
| **Total cash and cash equivalents** | **50** | **323** |
| **(c) Non-cash financing activities** | | |
| During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | - | - |

The changes in these amounts each period (as reported in (c) above) represents a non cash financing cost as it is not settled in cash until such time as it becomes attributable (i.e. taxable).

## 11 Reconciliation of Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities (continued)

| | iShares MSCI World ex Australia Quality (AUD Hedged) ETF<br>For the period 17 January 2024 to 30 June 2024<br>$ |
|---|---|
| **(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities** | |
| Operating profit/(loss) for the period | **68,283** |
| Net (gains)/losses on financial assets and liabilities held at fair value through profit or loss (including any FX (gains)/losses) | **(68,806)** |
| Proceeds from sale of financial instruments held at fair value through profit or loss | **19,130** |
| Purchases of financial instruments held at fair value through profit or loss | **(616,374)** |
| Net change in receivables and other assets | **(288)** |
| Net change in accounts payables and accrued liabilities | **299** |
| **Net cash inflow/(outflow) from operating activities** | **(597,756)** |
| | |
| **(b) Components of cash and cash equivalents** | |
| Cash as at the end of the period as shown in the Statements of Cash Flows is reconciled to the Statements of Financial Position as follows: | |
| Cash | **163** |
| **Total cash and cash equivalents** | **163** |
| | |
| **(c) Non-cash financing activities** | |
| During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan | - |

The changes in these amounts each period (as reported in (c) above) represents a non cash financing cost as it is not settled in cash until such time as it becomes attributable (i.e. taxable).

## 12 Segment Information

***iShares MSCI World ex Australia Value ETF***

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the MSCI World ex Australia Enhanced Value Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the iShares Edge MSCI World Minimum Volatility ETF. Accordingly, no additional qualitative or quantitative disclosures are required.

***iShares MSCI World ex Australia Momentum ETF***

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the MSCI World ex Australia Momentum Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the iShares Edge MSCI World Minimum Volatility ETF. Accordingly, no additional qualitative or quantitative disclosures are required.

***iShares MSCI World ex Australia Quality ETF***

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the MSCI World ex Australia Quality Sector Capped Select Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the iShares Edge MSCI World Minimum Volatility ETF. Accordingly, no additional qualitative or quantitative disclosures are required.

***iShares MSCI World ex Australia Value (AUD Hedged) ETF***

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the MSCI World ex Australia Enhanced Value 100% AUD Hedged Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the iShares Edge MSCI World Minimum Volatility ETF. Accordingly, no additional qualitative or quantitative disclosures are required.

***iShares MSCI World ex Australia Quality (AUD Hedged) ETF***

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the MSCI World ex Australia Quality Sector Capped Select 100% AUD Hedged Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the iShares Edge MSCI World Minimum Volatility ETF. Accordingly, no additional qualitative or quantitative disclosures are required.

## 13 Events Occurring After the Reporting Period

***iShares MSCI World ex Australia Value ETF***

The Fund announced on 1 July 2024 a final distribution of 43.67 cents per unit, which equates to $222,705. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Momentum ETF***

The Fund announced on 1 July 2024 a final distribution of 8.40 cents per unit, which equates to $37,806. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Quality ETF***

The Fund announced on 1 July 2024 a final distribution of 15.46 cents per unit, which equates to $74,217. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Value (AUD Hedged) ETF***

The Fund announced on 1 July 2024 a final distribution of 42.27 cents per unit, which equates to $11,834. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

***iShares MSCI World ex Australia Quality (AUD Hedged) ETF***

The Fund announced on 1 July 2024 a final distribution of 13.95 cents per unit, which equates to $3,349. The final distribution ex-date was 1 July 2024 and payment was on 11 July 2024.

No other significant events have occurred since the end of the reporting period up to the date of signing the Annual Financial Report which would impact on the financial position of the Funds disclosed in the Statements of Financial Position as at 30 June 2024 or on the results and cash flows of the Funds for the period ended on that date.

## 14 Contingent Assets, Contingent Liabilities and Commitments

There are no outstanding contingent assets, contingent liabilities or commitments as at 30 June 2024.

## Directors' Declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 8 to 56 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Funds' financial position as at 30 June 2024 and of their performance, as represented by the results of their operations; changes in equity and their cash flows, for the financial period ended on that date;

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

(c) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and

(d) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Director
J Collins

Sydney
24 September 2024

Deloitte.

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# Independent Auditor's Report to the Unitholders of iShares International Funds 2

*Opinion*

We have audited the financial reports of iShares MSCI World ex Australia Value ETF, iShares MSCI World ex Australia Momentum ETF, iShares MSCI World ex Australia Quality ETF, iShares MSCI World ex Australia Value (AUD Hedged) ETF and iShares MSCI World ex Australia Quality (AUD Hedged) ETF (collectively "iShares International Funds 2" or the "Funds"), which comprises the statements of financial position as at 30 June 2024, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period 17 January, 2024 to 30 June, 2024, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial reports of the Funds are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of each Fund's financial position as at 30 June 2024 and of its financial performance for the period 17 January, 2024 to 30 June, 2024; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Financial Reports* section of our report. We are independent of the Funds in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BlackRock Investment Management (Australia) Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

*Key Audit Matters*

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

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<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
Valuation of financial assets and financial liabilities held at fair value through profit or loss
Financial assets and financial liabilities represent the most significant balances in the statement of financial position and are the primary drivers of net asset value and investment performance.
Refer to Notes 5 and 7
<table>
<tr><th>Name of the Funds</th><th>Financial assets as at 30 June 2024<br>$</th><th>Financial liabilities as at 30 June 2024<br>$</th></tr>
<tr><td>iShares MSCI World ex Australia Value ETF</td><td>12,579,000</td><td>0</td></tr>
<tr><td>iShares MSCI World ex Australia Momentum ETF</td><td>12,116,000</td><td>0</td></tr>
<tr><td>iShares MSCI World ex Australia Quality ETF</td><td>12,752,000</td><td>0</td></tr>
<tr><td>iShares MSCI World ex Australia Value (AUD Hedged) ETF</td><td>727,967</td><td>220</td></tr>
<tr><td>iShares MSCI World ex Australia Quality (AUD Hedged) ETF</td><td>664,448</td><td>32</td></tr>
</table>
</td><td>
Our procedures included, but were not limited to:
<ul>
<li>Evaluating relevant controls in place at the administrator in relation to the valuation of financial assets, including any exceptions noted;</li>
<li>Testing on a sample basis, the valuation of listed unit trusts and equities by confirming the last traded market price to independent external pricing sources; and</li>
<li>Testing on a sample basis, forward foreign exchange contracts by verifying valuation inputs to observable market data.</li>
</ul>
We also assessed the adequacy of the disclosures included in Notes 5 and 7 to the financial statements.
</td></tr>
<tr><td>
Existence of financial assets and financial liabilities not held in custody
Refer to Notes 5 and 7
Financial assets and financial liabilities held at fair value through profit or loss in the statement of financial position include investments in forward foreign exchange contracts, which are not held in custody.
There is a risk over the existence of financial assets and financial liabilities held outside custody and whether these are accurately recorded in the name of the fund.
As disclosed in Notes 5 and 7, forward foreign exchange contracts held by the Funds include:
</td><td>
Our procedures included, but were not limited to:
<ul>
<li>Obtaining independent confirmations from the relevant counterparties for a sample of forward foreign exchange contracts held at 30 June 2024 and agreed the units held to accounting records.</li>
</ul>
We also assessed the adequacy of the disclosures included in Notes 5 and 7 to the financial statements.
</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>
<table>
<tr><th colspan="3">Forward foreign exchange contracts as at 30 June 2024</th></tr>
<tr><th>Name of the Funds</th><th>Financial assets<br>$</th><th>Financial liabilities<br>$</th></tr>
<tr><td>iShares MSCI World ex Australia Value (AUD Hedged) ETF</td><td>10,495</td><td>220</td></tr>
<tr><td>iShares MSCI World ex Australia Quality (AUD Hedged) ETF</td><td>3,816</td><td>32</td></tr>
</table>
</td><td></td></tr>
</table>

*Other Information*

The directors of the Responsible Entity (the “Directors”) are responsible for the other information. The other information comprises the information included in the Funds’ annual reports for the year ended 30 June 2024, but does not include the financial reports and our auditor’s report thereon.

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

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Financial Reports*

The directors are responsible:

- For the preparation of the financial reports in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the funds in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial reports in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position and performance of the funds are free from material misstatement, whether due to fraud or error.

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

*Auditor’s Responsibilities for the Audit of the Financial Reports*

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

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

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 24 September 2024

## Want to know more?

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