

**EQT Mortgage Income Fund  
(formerly known as the "Wholesale Mortgage Income  
Fund")**

ARSN 101 748 109

**Annual report**

**For the year ended 30 June 2021**

# **EQT Mortgage Income Fund (formerly known as the "Wholesale Mortgage Income Fund")**

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## **Annual report For the year ended 30 June 2021**

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This annual report covers EQT Mortgage Income Fund (formerly known as "EQT Wholesale Mortgage Income Fund") as an individual entity.

The Responsible Entity of EQT Mortgage Income Fund (formerly known as "EQT Wholesale Mortgage Income Fund") is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:  
Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of EQT Mortgage Income Fund (formerly known as "EQT Wholesale Mortgage Income Fund") (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2021.

### Principal activities

The Fund invests in first registered mortgage assets secured by office, rental, industrial and other commercial properties at a maximum loan to valuation ratio ("LVR") of 67% in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's investment objective is to outperform the Reserve Bank of Australia ("RBA") Cash Rate over rolling 3 year periods. The Fund is suitable for investors seeking income returns higher than short-term money market rates.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Equity Trustees Limited
Custodian and Administrator*	State Street Australia Limited
Unit Registry	OneVue Fund Services Pty Ltd
Statutory Auditor	Deloitte Touche Tohmatsu

\*State Street Australia Limited was appointed as Custodian and Administrator on 1 August 2020 following the retirement of Equity Trustees Limited who acted as Custodian and Administrator until 31 July 2020.

### Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

### Review and results of operations

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

The Fund's performance for the Wholesale Class of units was 4.31% and 4.29% for the Retail Class of units. The Fund's benchmark for both classes of units, the RBA Cash Rate returned 0.15% for the same period.

## Directors' report (continued)

### Review and results of operations (continued)

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

	Year ended	
	30 June 2021	30 June 2020
Profit/(loss) before finance costs attributable to unit holders for the year (\$'000)	7,751	8,353
<b>Distributions - Wholesale</b>		
Distributions paid and payable (\$'000)	5,121	8,353
Distributions (cents per unit)	3.41	3.70
<b>Distributions - Retail</b>		
Distributions paid and payable (\$'000)	2,630	-
Distributions (cents per unit)	3.13	-

### Significant changes in the state of affairs

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

State Street Australia Limited was appointed as Custodian and Administrator on 1 August 2020 following the retirement of Equity Trustees Limited who acted as Custodian and Administrator until 31 July 2020.

The Fund made an offer to acquire additional investors and issued additional units as part of an in-specie transfer from the Common Fund No.1 (Mortgage Income Fund) ARSN 092 615 506 on 1 August 2020. As a result the EQT Wholesale Mortgage Fund increased in size and the Common Fund No.1 (Mortgage Income Fund) was terminated.

The decision to merge the two funds followed an operational review of Equity Trustees product offering and funds rationalizations.

During the financial year, the following existing funds were partially merged into the EQT Mortgage Income Fund:

- Portfolio Plus Authorised Trustee Balanced Fund (Diversified Common Fund 101); and
- Charitable Plus Authorised Trustee Balanced Fund Common Fund (Charitable Diversified Common Fund 107).

The merger resulted in the Portfolio Plus Authorised Trustee Balanced Fund (Diversified Common Fund 101) redeeming 5% of its units in exchange for equivalent units in the EQT Mortgage Income Fund.

The merger further resulted in the Charitable Plus Authorised Trustee Balanced Fund Common Fund 107 redeeming 5% of its units in exchange for equivalent units in the EQT Mortgage Income Fund.

The balance of the units of the two targeted funds were merged into other EQT Funds in December 2020 and both Funds terminated on 30 June 2021.

## Directors' report (continued)

### Significant changes in the state of affairs (continued)

The funds rationalization will result in the following:

- A more focused approach to investing monies for client groups with similar investment objectives; therefore allowing EQT to provide more appropriate investment solutions to achieve their objectives,
- Improved asset management operational efficiencies with trade execution and risk management, and
- Implementation of a new performance reporting system to deliver informative and relevant performance reporting.

### Covid-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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

### Matters subsequent to the end of the financial year

On the 30 July 2021 the EQT Wholesale Fund changed its name to the EQT Mortgage Income Fund.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may have a significant effect on:

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

### Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. 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.

### Indemnification and insurance of officers

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

### Indemnification of auditor

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

## Directors' report (continued)

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

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

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

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

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

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

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
27 October 2021

The Board of Directors  
Equity Trustees Limited  
Level 1, 575 Bourke Street  
MELBOURNE VIC 3000

27 October 2021

Dear Board Members,

### **Independence Declaration – EQT Wholesale Mortgage Income Fund**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of EQT Wholesale Mortgage Income Fund (the "Fund").

As lead audit partner for the audit of the financial statements of the Fund for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Chester Hii  
Partner  
Chartered Accountants

## Statement of comprehensive income

		Year ended	
		30 June 2021	30 June 2020
	Note	\$'000	\$'000
<b>Investment income</b>			
Interest income from financial assets at amortised cost		9,626	10,129
Other income		<u>66</u>	<u>196</u>
<b>Total investment income/(loss)</b>		<u>9,692</u>	<u>10,325</u>
<b>Expenses</b>			
Management fees	14	1,428	1,819
Custody and administration fees		81	125
Other expenses	13	<u>432</u>	<u>28</u>
<b>Total expenses</b>		<u>1,941</u>	<u>1,972</u>
<b>Profit/(loss) before finance costs attributable to unit holders for the year</b>		<u>7,751</u>	<u>8,353</u>
<b>Finance costs attributable to unit holders*</b>			
Distributions to unit holders	7	(7,751)	-
(Increase)/decrease in net assets attributable to unit holders	6	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>8,353</u>

\*Net assets attributable to unit holders are reclassified from equity to liability from 1 July 2020. As a result, the Fund's distributions are no longer classified as distributions paid in the statement of changes in equity, but rather as finance costs in the statement of comprehensive income. Refer to Note 6 and Note 7 for further detail.

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

## Statement of financial position

	Note	As at	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	20,472	18,852
Receivables	10	2,809	2,411
Financial assets at amortised cost	4	<u>207,253</u>	<u>202,479</u>
<b>Total assets</b>		<u>230,534</u>	<u>223,742</u>
<b>Liabilities</b>			
Distributions payable	7	1,870	1,997
Payables	11	<u>1,587</u>	<u>841</u>
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>3,457</u>	<u>2,838</u>
<b>Net assets attributable to unit holders - liability*</b>		<u>227,077</u>	-
<b>Net assets attributable to unit holders - equity*</b>		-	<u>220,940</u>

\*Net assets attributable to unit holders are classified as liability as 30 June 2021 and as equity at 30 June 2020. Refer to Note 2 for further details.

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

## Statement of changes in equity

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Total equity at the beginning of the financial year*</b>		220,904	229,879
Reclassification from equity to liability		<u>(220,904)</u>	-
<b>Total beginning balance</b>		<u>-</u>	<u>229,879</u>
<b>Comprehensive income for the financial year</b>			
Profit/(loss) for the year		-	8,353
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u>-</u>	<u>8,353</u>
<b>Transactions with unit holders</b>			
Applications	6	-	37,258
Redemptions	6	-	(48,390)
Reinvestment of distributions	6	-	2,157
Distributions paid and payable	6	-	(8,353)
<b>Total transactions with unit holders</b>		<u>-</u>	<u>(17,328)</u>
<b>Total equity at the end of the financial year*</b>		<u>-</u>	<u>220,904</u>

\*Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. Effective from 1 July 2020, the Fund's units have been reclassified from equity to financial liability. Refer to Note 2 for further detail. As a result, equity transactions, including distributions are not disclosed in the above statement for the year 30 June 2021.

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

## Statement of cash flows

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from repayment of financial instruments at amortised cost		7,871	121,974
Payments for financial instruments at amortised cost		(12,645)	(109,544)
Interest income received from financial assets at amortised cost		9,863	10,047
Other income received		66	81
Management fees paid		(1,360)	(1,257)
Custody and administration fees paid		(29)	(125)
Other expenses paid		(377)	(413)
<b>Net cash inflow/(outflow) from operating activities</b>	9(a)	<b>3,389</b>	<b>20,763</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		125,501	37,258
Payments for redemptions by unit holders		(121,334)	(48,497)
Distributions paid to unit holders		(5,936)	(6,375)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(1,769)</b>	<b>(17,614)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,620</b>	<b>3,149</b>
Cash and cash equivalents at the beginning of the year		<b>18,852</b>	<b>15,703</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>20,472</b>	<b>18,852</b>
Non-cash operating and financing activities	9(b)	<b>1,942</b>	<b>2,157</b>

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

## Notes to the financial statements

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## 1 General information

These financial statements cover EQT Mortgage Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 18 July 2002 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in first registered mortgage assets secured by office, rental, industrial and other commercial properties at a maximum loan to valuation ratio ("LVR") of 67% in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring the situation closely, noting that with the ongoing developments, there is still a degree of uncertainty; therefore it is not possible at this time to predict the extent and nature of the overall impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

During the year, the Fund issued a second class of units, named Retail Class. Consequently, as there is now a second class of units the Fund no longer satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that would allow it to classify net assets attributable to unit holders as equity.

As at 30 June 2020, net assets attributable to unit holders were classified as equity. Effective from 1 July 2020, the Fund's net assets attributable to unit holders have been reclassified from equity to liability.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

In the case of net assets attributable to unit holders', the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

#### (i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### (iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 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 Fund.

### (b) Financial instruments

#### (i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For mortgages, cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows. The contractual terms of these assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable and payables).

#### (ii) Recognition and derecognition

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

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (ii) Recognition and derecognition (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

#### (iii) Measurement

- Financial instruments at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification using the effective interest rate method less any allowance for expected credit losses.

Mortgages, cash and cash equivalents, receivables, distribution payables and payables are carried at amortised cost.

#### (iv) Impairment

At each reporting date, the Fund shall estimate a loss allowance on each of the financial assets carried at amortised cost (cash and cash equivalents and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected 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 the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net 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 expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of 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 statement of comprehensive income.

#### (v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### (c) Net assets attributable to unit holders

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

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

## 2 Summary of significant accounting policies (continued)

### (c) Net assets attributable to unit holders (continued)

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

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### (e) Investment income

#### (i) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or 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 Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

### (f) Expenses

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

### (g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders on present entitlement basis.

### (h) Distributions

The Fund distributes its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### (i) Functional and presentation currency

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

## 2 Summary of significant accounting policies (continued)

### (j) Receivables

Receivables may include amounts for trust distributions. Trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### (k) Payables

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

A separate distribution payable is recognised in the statement of financial position.

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

### (l) Applications and redemptions

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

### (m) Goods and services tax (GST)

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

### (n) Use of estimates and judgements

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

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model, has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

### (o) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

### (p) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

Equity Trustees Limited, as Responsible Entity and Investment Manager is responsible for the overall financial risk management of the Fund. The Fund is designed for investors seeking income returns higher than short-term money market rates and who also seek a relatively lower risk investment.

The Fund seeks to produce income by providing loans to selected borrowers which are secured by registered first mortgages. Loans are only offered in respect of selected improved commercial, industrial and rental real estate within Australia. Loans are for a maximum term of five years. It is the policy of the Fund to not provide loans in respect of development properties, construction projects, vacant land or for the purchase of shares in companies.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

#### (a) Market risk

##### (i) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The impact of interest rate risk on net assets attributable to unit holders and operating profit are considered immaterial to the Fund.

The majority of the Fund's financial assets and liabilities are fixed interest bearing. As a result, the Fund is not subject to significant risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short term market interest rate products.

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>As at 30 June 2021</b>				
<b>Financial assets</b>				
Cash and cash equivalents	20,472	-	-	20,472
Receivables	-	-	2,809	2,809
Financial assets at amortised cost	<u>38,976</u>	<u>168,277</u>	-	<u>207,253</u>
<b>Total financial assets</b>	<u>59,448</u>	<u>168,277</u>	<u>2,809</u>	<u>230,534</u>
<b>Financial liabilities</b>				
Distributions payable	-	-	1,870	1,870
Payables	-	-	<u>1,587</u>	<u>1,587</u>
<b>Total financial liabilities (excluding net assets attributable to unit holders)</b>	-	-	<u>3,457</u>	<u>3,457</u>
<b>Net exposure</b>	<u>59,448</u>	<u>168,277</u>	<u>(648)</u>	<u>227,077</u>

### 3 Financial risk management (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Cash and cash equivalents	18,852	-	-	18,852
Receivables	-	-	2,411	2,411
Financial assets at amortised cost	<u>37,717</u>	<u>164,762</u>	-	<u>202,479</u>
Total financial assets	<u>56,569</u>	<u>164,762</u>	<u>2,411</u>	<u>223,742</u>
Financial liabilities				
Distributions payable	-	-	1,997	1,997
Payables	-	-	841	841
Total financial liabilities	<u>-</u>	<u>-</u>	<u>2,838</u>	<u>2,838</u>
Net exposure	<u>56,569</u>	<u>164,762</u>	<u>(427)</u>	<u>220,904</u>

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/-100 basis points (2020: +/- 100 basis points) from the year end rates with all other variables held constant.

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attributable to unit holders	
	Interest rate risk	
	+100bps \$'000	-100bps \$'000
<b>As at 30 June 2021</b>	<b>594</b>	<b>(594)</b>
As at 30 June 2020	566	(566)

#### (c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, amounts due to from brokers and other receivables.

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021 and 30 June 2020, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions. None of these assets are impaired.

#### (d) Liquidity risk

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

The Fund's liquidity risk is managed in accordance with the Fund's investment strategy. The Fund manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Fund's overall strategy to liquidity risk management has been developed in accordance with the Benchmark 1 - Liquidity developed by ASIC; cash flow estimates are prepared on a quarterly basis, and steps are taken to ensure the Fund has enough cash or cash equivalents to meet projected cash needs for the following twelve months. The EQT Management Investment Committee meets regularly to monitor the liquidity requirements of the Fund.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2021 and 2020.

#### (i) Maturities of non-derivative financial liabilities

All non-derivative financial liabilities of the Fund in the current period have maturities of less than 1 month.

### 4 Financial assets at amortised cost

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
Mortgages	<u>207,253</u>	<u>202,479</u>
<b>Total financial assets at amorised cost</b>	<u><b>207,253</b></u>	<u><b>202,479</b></u>

An overview of the risk exposures relating to financial assets at amortised cost is included in Note 3 to the financial statements.

## 5 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers all investments in managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and or earning investment income.

The exposure to investments in related party Schemes at fair value, and any related party amounts recognised in the statement of comprehensive income is disclosed at Note 14(i) to the financial statements.

## 6 Net assets attributable to unit holders - liability

During the year, the Fund issued a second class of units, named Retail Class. Consequently, as there is now a second class of units the Fund no longer satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that would allow it to classify net assets attributable to unit holders as equity. As at 30 June 2020, net assets attributable to unit holders were classified as equity. Effective from 1 July 2020, the Fund's units have been reclassified from equity to liability.

As a result of the reclassification of net assets attributable to unit holders from equity to financial liabilities, the Fund's distributions are no longer classified as distributions paid in the statement of changes in equity, but rather as finance costs in the statement of comprehensive income.

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

	Year ended			
	30 June 2021 Units'000	30 June 2021 \$'000	30 June 2020 Units'000	30 June 2020 \$'000
<b>Wholesale</b>				
Opening balance	220,904	220,904	229,879	229,879
Applications	29,233	29,233	37,258	37,258
Redemptions	(112,595)	(112,595)	(48,390)	(48,390)
Reinvestment of distributions	1,803	1,803	2,157	2,157
Distributions paid and payable	-	-	-	(8,353)
Profit/(loss) for the year	-	-	-	8,353
<b>Closing balance</b>	<b>139,345</b>	<b>139,345</b>	<b>220,904</b>	<b>220,904</b>
<b>Retail</b>				
Opening balance	-	-	-	-
Applications	96,668	96,668	-	-
Redemptions	(9,075)	(9,075)	-	-
Reinvestment of distributions	139	139	-	-
<b>Closing balance</b>	<b>87,732</b>	<b>87,732</b>	<b>-</b>	<b>-</b>
<b>Closing balance</b>		<b>227,077</b>		<b>220,904</b>

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

There are two separate classes of units. Each unit within the same class has the same rights as all other units within that class. Each unit class has a different management fee rate.

## 6 Net assets attributable to unit holders - liability (continued)

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

### Capital risk management

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

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

## 7 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended			
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
<b>Distributions - Wholesale</b>				
July	663	0.30	-	-
September	859	0.58	2,118	0.93
December	1,220	0.86	2,271	0.99
March	1,190	0.82	1,965	0.88
June (payable)	1,189	0.85	1,997	0.90
Income paid on redemption	-	-	2	-
<b>Total distributions</b>	<u>5,121</u>		<u>8,353</u>	
<b>Distributions - Retail</b>				
July	187	0.25	-	-
September	424	0.54	-	-
December	673	0.78	-	-
March	665	0.78	-	-
June (payable)	681	0.78	-	-
<b>Total distributions</b>	<u>2,630</u>		<u>-</u>	
<b>Total distributions</b>	<u>7,751</u>		<u>8,353</u>	

## 8 Cash and cash equivalents

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	8	8
Investment in Cash Management Fund	<u>20,464</u>	<u>18,844</u>
<b>Total cash and cash equivalents</b>	<u><b>20,472</b></u>	<u><b>18,852</b></u>

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

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	8,353
Distributions to unit holders	7,751	-
Proceeds from sale of financial instruments at fair value through profit or loss	7,871	121,974
Payments for purchase of financial instruments at fair value through profit or loss	(12,645)	(109,544)
Net change in receivables	2	166
Net change in payables	<u>410</u>	<u>(186)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>3,389</b></u>	<u><b>20,763</b></u>
<b>(b) Non-cash operating and financing activities</b>		
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan	<u>1,942</u>	<u>2,157</u>
<b>Total non-cash operating and financing activities</b>	<u><b>1,942</b></u>	<u><b>2,157</b></u>

## 10 Receivables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Interest receivable	2,367	2,355
Applications receivable	400	-
GST receivable	<u>42</u>	<u>56</u>
<b>Total receivables</b>	<u><b>2,809</b></u>	<u><b>2,411</b></u>

## 11 Payables

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Prepayment of interest	820	571
Management fees payable	325	153
Redemptions payable	339	3
Custody and administration fees payable	62	10
Other payables	41	104
<b>Total payables</b>	<u>1,587</u>	<u>841</u>

## 12 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Fund:

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<b>Deloitte Touche Tohmatsu</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	19,180	12,730
Audit of compliance plan	-	5,000
Total auditor remuneration and other assurance services	<u>19,180</u>	<u>17,730</u>
<i>Taxation services</i>		
Tax compliance services	7,290	5,861
Total remuneration for taxation services	<u>7,290</u>	<u>5,861</u>
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<u>26,470</u>	<u>23,591</u>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,342	-
Total auditor remuneration for audit and other assurance services	<u>2,342</u>	<u>-</u>
<b>Total remuneration of PricewaterhouseCoopers</b>	<u>2,342</u>	<u>-</u>

The auditors' remuneration is borne by the Fund. Fees are stated exclusive of GST.

## 13 Other expenses

	Year ended	
	30 June 2021	30 June 2020
	\$'000	\$'000
Audit and tax fees	51	-
Legal fees	24	-
Trail fees	324	-
Other expenses	33	28
<b>Total other expenses</b>	<b>432</b>	<b>28</b>

## 14 Related party transactions

The Responsible Entity of EQT Wholesale Mortgage Income Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Equity Trustees Limited to act as Investment Manager for the Fund and State Street Australia Limited to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

### (a) Key management personnel

#### (i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)

#### (ii) Responsible Entity

Other than fees paid to the Responsible Entity, there were no other transactions.

#### (iii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

### (b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2021 (30 June 2020: nil).

## 14 Related party transactions (continued)

### (d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

### (e) Key management personnel loans

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

### (f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at year end.

### (g) Responsible Entity fees, Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees for the year	1,345,633	1,682,106
Custodian and administration fees for the year	80,994	124,601
Responsible Entity fees for the year	82,256	137,060
Management fee rebate earned for the year	66,529	80,442
Management fees payable at year end	309,420	131,788
Custodian and administration fees payable at year end	62,145	10,056
Responsible Entity fees payable at year end	16,468	11,061
Other expenses reimbursable to investment manager	-	(113,821)

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Expense recoveries include Responsible Entity fees, Custodian and Administrator fees and other expenses.

## 14 Related party transactions (continued)

### (h) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the Fund, as follows:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
<b>As at 30 June 2021</b>							
State Street Australia Limited ACF Eq Ltd A T F Eq Growth Fund	-	45,147,351	45,147,351	19.88	45,147,351	-	905,692
Freedom of Choice	9,552,529	8,938,357	8,938,357	3.93	846,534	(1,460,706)	329,601
SSAL ACF EQT ATF EQT Foundation	-	180,922	180,922	0.08	200,922	(20,000)	4,280
Equity Trustees Limited Corporate Portfolio	2,500,000	2,500,000	2,500,000	1.10	-	-	99,299
Equity Trustees Wealth Services Limited Corporate Portfolio	2,500,000	2,500,000	2,500,000	1.10	-	-	99,299
Mortgage Income Fund	76,681,441	-	-	-	-	(76,681,441)	940,377
	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
<b>As at 30 June 2020</b>							
Mortgage Income Fund	89,931,441	76,681,441	76,681,441	34.71	-	(13,250,000)	3,079,037
Freedom of Choice	10,779,820	9,552,529	9,552,529	4.32	1,147,302	(2,374,593)	369,229
EQT ATF Gulf Communities Interim Support Fund	2,894,922	-	-	0.00	109,109	(3,004,031)	82,979

## 14 Related party transactions (continued)

### (i) Investments

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

As at 30 June 2021	Fair value of investment \$	Interest held %	Distributions received \$	Distributions receivable \$	Units acquired during the year	Units disposed during the year
Cash Management Fund	20,464,062	3.75	11,946	286	60,419,032	(58,798,571)
As at 30 June 2020	Fair value of investment \$	Interest held %	Distributions received \$	Distributions receivable \$	Units acquired during the year	Units disposed during the year
Cash Management Fund	18,843,601	4.86	45,833	672	140,592,355	(132,441,132)

## 15 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

## 16 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 7 to 27 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
27 October 2021

## Independent Auditor's Report to the Unit Holders of EQT Wholesale Mortgage Income Fund

### *Opinion*

We have audited the financial report of EQT Wholesale Mortgage Income Fund (the "Fund") which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) 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 Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund (the "Directors"), would be in the same terms if given to 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.

### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

## *Responsibilities of the Directors for the Financial Report*

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

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

## *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, 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 Fund's 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

# Deloitte.

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.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'Chester Hii', with a stylized flourish at the end.

Chester Hii  
Partner  
Chartered Accountants

Melbourne, 27 October 2021