PIMCO TRENDS Managed Futures Strategy Fund

ARSN 626 369 391

Annual report
For the period from 13 December 2018 to 30 June 2019

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Contents

This annual report covers PIMCO TRENDS Managed Futures Strategy Fund as an individual entity.

The Responsible Entity of PIMCO TRENDS Managed Futures Strategy Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505).

The Responsible Entity's registered office is:

Level 19, 5 Martin Place
Sydney, NSW 2000.

Directors' report

The directors of PIMCO Australia Management Limited, the Responsible Entity of PIMCO TRENDS Managed Futures Strategy Fund (the "Fund"), present their report together with the financial statements of the Fund for the period from 13 December 2018 to 30 June 2019.

Principal activities

The Fund was constituted on 23 May 2018, registered with the Australian Securities and Investments Commission on 4 June 2018 and commenced operations on 13 December 2018.

The Fund will pursue a quantitative trading strategy intended to capture the persistence of price trends (up and/or down) observed in global financial markets and commodities in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

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

Directors

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

Adrian P Stewart	
Michael Cheng	(retired from board 1 July 2019)
Eric P Frerer	(retired from board 1 July 2019)
Rafael Lopez	(resigned 29 April 2019)
Kimberley Stafford	
V Mangala Ananthanarayanan	(appointed to board 1 July 2019)
Brendon D Rodda	(appointed to board 1 July 2019)

Review and results of operations

During the period, the Fund invested its funds in accordance with the Fund's Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance for the period ended 30 June 2019 was 2.37% (net of fees) for the Seed Class and (1.49%) (net of fees) for the Wholesale Class. The Fund's benchmark, Bloomberg AusBond Bank Bill Index, returned 1.06% 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:

	For the period 13 December 2018 to 30 June 2019
Operating profit/(loss) before finance costs attributable to unit holders ($)	**63,340**

Valuation of investments for financial statements purposes

The Fund has used the methodology outlined in the its Price Source Agreement ("PSA prices") for its valuation inputs for quoted financial assets and liabilities, to be consistent with the inputs used for the calculation of unit prices for applications and redemptions, thus there is no difference between net market value used for unit pricing and fair value used for financial reporting for the period ended 30 June 2019. The PSA prices are within a bid-ask spread of the quoted financial assets and liabilities.

Significant changes in the state of affairs

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

Matters subsequent to the end of the period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may have a significant effect on:

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

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 Fund's 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 coverage provided to the officers of PIMCO Australia Management Limited. So long as the officers of PIMCO Australia Management Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnification of auditor

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

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 period are disclosed in Note 19 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the period are disclosed in Note 19 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 11 to the financial statements.

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

Environmental regulation

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

Rounding of amounts to the nearest dollar

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

Auditor's independence declaration

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

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

Director

Sydney
25 September 2019

Auditor's Independence Declaration

As lead auditor for the audit of PIMCO TRENDS Managed Futures Startegy Fund for the period 13 December 2018 to 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
25 September 2019

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Statement of comprehensive income

	Note	For the period 13 December 2018 to 30 June 2019 $
Investment income		
Interest income from financial assets at fair value through profit or loss		**10,066**
Interest income from financial assets at amortised cost		**4,713**
Distribution income		**23,443**
Net foreign exchange gain/(loss)		**3,495**
Net gains/(losses) on financial instruments at fair value through profit or loss	6	**68,028**
Other income	18	**96,631**
Total investment income/(loss)		**206,376**
Expenses		
Management fees	19	**406**
Custody fees		**113,196**
Transaction costs		**29,434**
Total expenses		**143,036**
Operating profit/(loss)		**63,340**
Finance costs attributable to unit holders		
Distributions to unit holders	12	**-**
(Increase)/decrease in net assets attributable to unit holders	11	**(63,340)**
Profit/(loss) for the period		**-**
Other comprehensive income		**-**
Total comprehensive income for the period		**-**

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

Statement of financial position

	Note	**As at 30 June 2019 $**
Assets		
Cash and cash equivalents	13	**389,098**
Receivables	15	**130,718**
Financial assets at fair value through profit or loss	7	**5,623,818**
Margin accounts		**531,185**
Total assets		**6,674,819**
Liabilities		
Payables	16	**42,492**
Financial liabilities at fair value through profit or loss	8	**187,148**
Margin accounts		**521,606**
Total liabilities (excluding net assets attributable to unit holders)		**751,246**
Net assets attributable to unit holders - liability	11	**5,923,573**

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

Statement of changes in equity

	For the period 13 December 2018 to 30 June 2019 $
Total equity at the beginning of the period	-
Profit/(loss) for the period	-
Other comprehensive income	-
Total comprehensive income	-
Transactions with owners in their capacity as owners	-
Total equity at the end of the period	-

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

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

Statement of cash flows

	Note	For the period 13 December 2018 to 30 June 2019 $
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss		6,493,747
Purchase of financial instruments at fair value through profit or loss		(11,838,761)
Net foreign exchange gain/(loss)		5,813
Net movement in margin accounts		(9,579)
Interest income received		4,675
Distributions received		127
Management fees paid		(4,233)
Custody fees paid		(71,858)
Other expenses paid		(37,765)
Net cash inflow/(outflow) from operating activities	14(a)	(5,457,834)
Cash flows from financing activities		
Proceeds from applications by unit holders		5,924,276
Payments for redemptions by unit holders		(75,026)
Net cash inflow/(outflow) from financing activities		5,849,250
Net increase/(decrease) in cash and cash equivalents		391,416
Cash and cash equivalents at the beginning of the period		-
Effects of foreign currency exchange rate changes on cash and cash equivalents		(2,318)
Cash and cash equivalents at the end of the period	13	389,098
Non-cash operating and financing activities	14(b)	13,417

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

Notes to the financial statements

Contents

1 General information

These financial statements cover PIMCO TRENDS Managed Futures Strategy Fund (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 23 May 2018 and will terminate on 22 May 2098, unless terminated earlier in accordance with the provisions of the Fund’s Constitution.

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

The Fund was constituted on 23 May 2018, registered with the Australian Securities and Investments Commission on 4 June 2018 and commenced operations on 13 December 2018.

The Fund will pursue a quantitative trading strategy intended to capture the persistence of price trends (up and/or down) observed in global financial markets and commodities in accordance with the Fund’s Product Disclosure Statement and the provisions of the Fund’s Constitution.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund’s Constitution allows it to elect into the Attribution Managed Investment Trust (″AMIT″) regime. The Responsible Entity is therefore not contractually obligated to pay distributions. The units in the Fund are classified as a financial liability due to the different features between the two open classes of units.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period 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 Fund has used the PSA prices for its valuation inputs for quoted financial assets and liabilities, to be consistent with the inputs used for the calculation of unit prices for applications and redemptions. The use of PSA prices is recognised as a standard pricing convention within the industry. The PSA prices are within a bid-ask spread of the quoted financial assets and liabilities.

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.

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 the reporting date.

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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(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

The Fund has applied AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers.

AASB 9 Financial instruments

AASB 9 Financial Instruments became effective for financial years commencing on or after 1 January 2018. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement, including the following three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Classification and measurement of debt securities is driven by the Fund's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest ("SPPI").

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

All other debt instruments must be recognised at fair value through profit or loss. A Fund may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

AASB 9 has been applied by the Fund from 13 December 2018.

Impairment

AASB 9 also introduces a new expected credit loss ("ECL") approach to recognise and measure impairment, which replaces AASB 139's incurred loss approach. AASB 9 requires the Fund to record an allowance for ECLs for all financial assets not held at fair value through profit or loss.

The 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 using the asset's original effective interest rate.

There was no material impact to the Fund from the ECL requirements of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers is effective for financial years commencing on or after 1 January 2018 and it replaces AASB 118 Revenue and related Interpretations.

The adoption of AASB 15 does not have an impact on the Fund's accounting policies or the amounts recognised in the financial statements because the Fund's main sources of income (i.e. interest, dividends, distributions and gains on financial instruments at fair value) are all outside the scope of the new accounting standard.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for financial years commencing on or after 1 January 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, 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 asset and liabilities at fair value through profit or loss

(i) Classification

Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Responsible Entity evaluates the information about these financial assets on a fair value basis together with other related financial information.

Equity securities are measured at fair value through profit or loss.

For derivatives, the contractual cash flows of these instruments do not represent SPPI. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are SPPI, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

For cash and cash equivalents, margin accounts, other receivables and payables, these balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and the contractual cash flows under the instrument represent SPPI.

Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

(ii) Recognition/derecognition

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

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. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value, plus in the case of a financial asset or financial liability not measured at fair value through profit or loss, transaction costs. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

2 Summary of significant accounting policies (continued)

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

(iii) Measurement (continued)

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 year without any deduction for estimated future selling costs. The Fund has utilised the PSA prices for its valuation inputs for both quoted financial assets and financial liabilities.

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

For further details on how the fair value of financial instruments is determined please see Note 5 to the financial statements.

Subsequent to initial recognition, financial assets and financial liabilities measured at amortised cost will use the effective interest rate method and are presented net of provisions for impairment.

(iv) Offsetting financial instruments

Financial assets and financial 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.

Financial assets and financial liabilities that have been offset are disclosed in Note 4.

(c) Net assets attributable to unit holders

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

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

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

(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 represent the Fund's main income generating activity.

(e) Margin accounts

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

(f) Investment income

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

2 Summary of significant accounting policies (continued)

(f) Investment income (continued)

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

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

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

(g) Expenses

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

(h) Income tax

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

(i) Distributions

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

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

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

(k) Foreign currency translation

(i) Functional and presentation currency

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

(l) Receivables for units redeemed/payables for units purchased

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

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts receivable for units redeemed 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 issuer, probability that the issuer 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.

2 Summary of significant accounting policies (continued)

(m) Receivables

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

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

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

(n) Payables

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

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

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

(o) Hedge accounting

The Fund does not apply hedge accounting.

(p) 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.

(q) 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.

2 Summary of significant accounting policies (continued)

(r) Use of estimates

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

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

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

For more information on how fair value is calculated refer to Note 5 to the financial statements.

The Responsible Entity of the Fund makes estimates and assumptions in applying the expected credit loss (ECL) impairment model under AASB 9. The application of the ECL impairment model has not materially impacted the Fund. Please see note 3 for more information on credit risk.

(s) Rounding of amounts

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

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the 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. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on long equity, debt securities and unit trusts is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions. On positions sold short, the maximum loss of capital can be unlimited.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, PIMCO Australia Pty Limited (the "Investment Manager") under an Investment Management Agreement (IMA) agreed with the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Fund's Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include Value at Risk ("VaR") analysis in the case of market risks, and ratings analysis for credit risk.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk through its investments in the Underlying Fund, for which prices in the future are uncertain. 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 which are considered a component of price risk.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

The Underlying Fund mitigates price risk with specific risk controls.

The price risk disclosures have been prepared on the basis of the Fund's direct investment and not on a look through basis for investments held indirectly.

Price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Fund might suffer through holding market positions in the face of adverse price movements. The Investment Manager considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the Fund's investment objectives.

The Investment Manager uses a number of quantitative techniques to assess the impact of market risks including credit events, changes in interest rates, credit spreads and recovery values on the Fund's investment portfolio. The Investment Manager uses VaR analysis, a technique widely used by financial institutions to quantify, assess, and report market risk. VaR is a statistical framework that supports the quantification of market risk within a portfolio at a specified confidence interval over a defined holding period. VaR seeks to quantify the expected maximum dollar losses that may result from the interactive behaviour of all material market prices, spreads, volatilities, and rates based on the historically observed relationships between these markets.

Although the use of derivatives (whether for hedging or investment purposes) may give rise to additional leveraged exposure, any such additional exposure will be covered and will be risk managed using the VaR methodology. The Investment Manager monitors portfolio risk using market factor exposures on a daily basis.

Potential market risk is calculated using the factor model approach. VaR is calculated and reported automatically each day using the closing prices and market information of the most recent business day. Depending on the application of the risk statistics, various confidence levels (such as 99%) and time horizons (weeks, months, or year) might be selected.

In addition to daily VaR measures, three types of stress tests are also conducted for each Fund. The first test includes scenario duration tests that measure what happens to the value of the portfolio if unexpected movements in yields occur in the market. The second test involves a database of historical crisis scenarios that can be executed to test reactions to these crises. The historical crisis scenarios contain many unexpected changes in market conditions and correlation matrices. The third test involves correlation matrices which can be manipulated manually to reflect conditions that may happen in the future but have not happened so far.

The daily VaR measures for the portfolios are an estimate, using a confidence level of 99%, of the potential worst case portfolio loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one month. The use of a 99% confidence level means that, within a one month horizon, losses exceeding the VaR figure should not occur, on average, more than once every one hundred months. For example when a portfolio is estimated to have a VaR of $1 million over a monthly horizon at the 99 percent confidence level, under normal market conditions, the expected losses should not exceed $1 million over the next eight year period (with 99% probability). The following table sets out the potential maximum monthly risk of loss for the portfolios as at 30 June 2019 as indicated by the VaR model:

	As at 30 June 2019	
	VaR (A$)	% of Net Assets
PIMCO TRENDS Managed Futures Strategy Fund	**496,395**	**8.380**

Not all risks to which the portfolio may be exposed are intended to be captured by the VaR and, in particular, the framework does not seek to capture liquidity risk, counterparty credit risk, or extreme credit events such as an issuer default. In practice, the actual trading results will differ from the VaR and may not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored to test the validity of the assumptions and parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Foreign exchange risk is managed as a part of price risk, and measured using VaR analysis.

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

As at 30 June 2019	Gross fair value of exposures denominated in foreign currencies A$	Foreign currency and cross currency swap contracts A$	Net A$
Argentine Peso	5,054	80,871	85,925
Brazilian Real	42,045	214,199	256,244
British Pound	11,707	(1,037,113)	(1,025,406)
Canadian Dollar	15,583	542,924	558,507
Chiliean Peso	(10,166)	(243,524)	(253,690)
Chinese yuan	(1,854)	(212,492)	(214,346)
Colombian Peso	(14,071)	(185,902)	(199,973)
Czech Koruna	(3,695)	88,219	84,524
Euro	28,150	(114,841)	(86,691)
Hong Kong Dollar	10,304	(32,782)	(22,478)
Hungarian Forint	11,604	(83,295)	(71,691)
Indian Rupee	4,052	320,203	324,255
Indonesian Rupiah	4,151	258,305	262,456
Japanese Yen	21,071	(38,147)	(17,076)
Malaysian Ringgit	1,105	4,084	5,189
Mexican Peso	(492)	84,688	84,196
New Israeli Sheqel	9,659	(4,038)	5,621
New Taiwan Dollar	531	(837)	(306)
New Zealand Dollar	(615)	(168,666)	(169,281)
Norwegian Krone	(3,340)	38,569	35,229
Peruvian Nuevo Sol	146	169,012	169,158
Philippine Peso	3,335	186,693	190,028
Polish Zloty	5,745	194,505	200,250
Romanian Leu	280	175,920	176,200
Russian Ruble	3,711	207,583	211,294
Singapore Dollar	3,702	39,950	43,652
South African Rand	3,972	(21,137)	(17,165)
South Korean Won	277	(198,733)	(198,456)
Swedish Krona	(5,757)	(177,282)	(183,039)
Thailand Baht	8,616	311,706	320,322
Turkish Lira	4,640	197,816	202,456
United States Dollar	5,661,679	(5,653,044)	8,635
	5,821,129	(5,056,586)	764,543

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) 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 Fund's main interest rate risk arises from its investments in fixed interest securities and fixed interest derivatives.

Interest rate risk is managed as part of price risk and measured using VaR analysis.

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

As at 30 June 2019	Floating interest rate $	Fixed interest rate $	Non-interest bearing $	Total $
Assets				
Cash and cash equivalents	389,098	-	-	389,098
Receivables	-	-	130,718	130,718
Financial assets held at fair value through profit or loss	12,243	755,103	4,856,472	5,623,818
Margin accounts	531,185	-	-	531,185
Total assets	932,526	755,103	4,987,190	6,674,819
Liabilities				
Payables	-	-	42,492	42,492
Financial liabilities held at fair value through profit or loss	-	11,280	175,868	187,148
Margin accounts	521,606	-	-	521,606
Total liabilities	521,606	11,280	218,360	751,246
Net increase/(decrease) in exposure from fixed interest futures (notional principal)	5,281,961	(5,281,961)	-	-
Net increase/(decrease) in exposure from interest rate swaps (notional principal)	(11,316,895)	11,316,895	-	-
Net exposure	(5,624,014)	6,778,757	4,768,830	5,923,573

(b) 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 Fund minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties. The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in debt securities. While the Fund may be exposed to credit (issuer or counterparty) risk in relation to amounts treated as cash and cash equivalents, due from brokers and other receivables, the credit risk associated with these exposures is considered low and therefore has not been incorporated in the following table. Given existing collateral arrangements associated with open derivative contracts, the credit risk has been assessed as low and not incorporated in the following table.

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 2019, 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

3 Financial risk management (continued)

(b) Credit risk (continued)

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.

(i) Debt securities

The Fund invests in debt securities which have an investment grade categorisation as rated by Standard and Poor's or Moody's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. The Fund invests in debt securities in line with requirements outlined in the Fund's Product Disclosure Statement.

The table below summarises the credit rating composition for the Fund's interest bearing securities assets using Standard and Poor's or Moody's ratings.

	As at 30 June 2019 %
Debt securities rating	
AA	100
Total	**100**

(ii) Derivative financial instruments

The Fund restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are closed and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangements. Refer to Note 4 to the financial statements for further analysis of the Fund's master netting arrangements.

(iii) Settlement of securities transactions

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

(iv) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA (as determined by the Standard and Poor's) or higher.

(v) Other

The Fund is not materially exposed to credit risk on other financial assets.

(vi) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

3 Financial risk management (continued)

(c) 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.

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

Current liabilities of financial derivative instruments consist of the market value of written options and foreign currency contracts as at period end. As the instruments are not expected to be held to maturity or termination, the current market value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Fund and realised liabilities may differ from current liabilities based on changes in market conditions. The Investment Manager manages liquidity risk by monitoring the portfolios and considering investments deemed to be illiquid or not readily and easily sold, to ensure there are sufficient segregated liquid assets to cover the outstanding liabilities 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 2019.

(i) Maturities of non-derivative financial liabilities

The table below discloses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

As at 30 June 2019	Less than 1 month $	1-6 months $	6-12 months $	Over 12 months $	Total $
Payables	42,492	-	-	-	42,492
Margin accounts	521,606	-	-	-	521,606
Net assets attributable to unit holders - liability	5,923,573	-	-	-	5,923,573
Contractual cash flows (excluding derivatives)	**6,487,671**	**-**	**-**	**-**	**6,487,671**

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

As at 30 June 2019	Less than 1 month $	1-6 months $	6-12 months $	Over 12 months $	Total $
Net settled derivatives					
Foreign currency contracts	(24,516)	61,357	-	-	36,841
Swap contracts	-	-	-	439,781	439,781
Futures contracts	43,423	44,439	-	12,243	100,105
Total net settled derivatives	**18,907**	**105,796**	**-**	**452,024**	**576,727**

4 Offsetting financial assets and financial liabilities

The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amount not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral received/ pledged	Net amount
	$	$	$	$	$	$
As at 30 June 2019						
Financial assets						
Derivative financial instruments	763,875	-	763,875	(134,613)	(514,678)	114,584
Total	763,875	-	763,875	(134,613)	(514,678)	114,584
Financial liabilities						
Derivative financial instruments	187,148	-	187,148	(134,613)	-	52,535
Total	187,148	-	187,148	(134,613)	-	52,535

(a) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only when certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the above table.

5 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

- 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 or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

5 Fair value measurement (continued)

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

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Fund has utilised the PSA prices for its fair value inputs for both quoted financial assets and financial liabilities.

When the Fund holds derivatives with offsetting market risks, it uses bid and ask prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value in an inactive or unquoted market (level 2)

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.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account the current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

(c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2019.

As at 30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss:				
Foreign currency contracts	-	183,764	-	183,764
Swap contracts	-	456,249	-	456,249
Futures contracts	123,862	-	-	123,862
Unit trusts*	4,574,976	-	-	4,574,976
Fixed interest securities	-	284,967	-	284,967
Total financial assets at fair value through profit or loss	4,698,838	924,980	-	5,623,818
Financial liabilities at fair value through profit or loss:				
Foreign currency contracts	-	146,923	-	146,923
Swap contracts	-	16,468	-	16,468
Futures contracts	23,757	-	-	23,757
Total financial liabilities at fair value through profit or loss	23,757	163,391	-	187,148

*The Underlying Fund calculates a daily net asset value (NAV) and applications and redemptions are transacted using the NAV. While prices are quoted on the Irish Stock Exchange, applications and redemptions are made through the Underlying Fund and are not transacted through an exchange.

(d) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(e) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current period.

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

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

	For the period 13 December 2018 to 30 June 2019 $
Financial assets	
Net realised gain/(loss) on financial assets at fair value through profit or loss	**770,418**
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	**801,393**
Net gains/(losses) on financial assets at fair value through profit or loss	**1,571,811**
Financial liabilities	
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	**(1,316,635)**
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	**(187,148)**
Net gains/(losses) on financial liabilities at fair value through profit or loss	**(1,503,783)**
Total net gains/(losses) on financial instruments at fair value through profit or loss	**68,028**

7 Financial assets at fair value through profit or loss

	As at 30 June 2019 $
Financial assets at fair value through profit or loss	
Derivatives (Note 9)	**763,875**
Unit trusts	**4,574,976**
Fixed interest securities	**284,967**
Total financial assets at fair value through profit or loss	**5,623,818**

8 Financial liabilities at fair value through profit or loss

	As at 30 June 2019 $
Financial liabilities at fair value through profit or loss	
Derivatives (Note 9)	**187,148**
Total financial liabilities at fair value through profit or loss	**187,148**

9 Derivative financial instruments

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

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

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

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

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

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

The Fund holds the following derivatives:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Forward currency contracts

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

(c) Swaps

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

A credit default swap is an agreement whereby one counterparty pays a regular fee, usually expressed as a percentage of the notional principle, to another counterparty in return for security against default by the underlying loan or asset.

9 Derivative financial instruments (continued)

(c) Swaps (continued)

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The Fund's derivative financial instruments at period end are detailed below:

As at 30 June 2019		Fair values	
	Contractual/ notional	Assets	Liabilities
	$	$	$
Foreign currency contracts	25,593,625	183,764	146,923
Swap contracts	12,284,837	456,249	16,468
Futures contracts	13,023,483	123,862	23,757
Total	50,901,945	763,875	187,148

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

10 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 Schemes at fair value is disclosed in the following table:

	Fair value of investment 30 June 2019 $
PIMCO Select Funds plc - PIMCO US Dollar Short-Term Floating NAV Fund	4,574,976

The fair value of the Schemes is included in financial assets held at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme, it ceases to be exposed to any risk from that Scheme.

During the period ended 30 June 2019, total gains/(losses) incurred on investments in the Schemes were $36,668. The Fund also earned distribution income of $23,443 as a result of its interests in the Schemes.

11 Net assets attributable to unit holders

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

	For the period 13 December 2018 to 30 June 2019 Units	For the period 13 December 2018 to 30 June 2019 $
Seed Class Units		
Applications	5,814,751	5,888,001
Redemptions	(74,171)	(75,496)
Increase/(decrease) in net assets attributable to unit holders	-	63,934
Closing balance	5,740,580	5,876,439
Wholesale Class Units		
Applications	47,844	47,728
Increase/(decrease) in net assets attributable to unit holders	-	(594)
Closing balance	47,844	47,134
Closing balance		5,923,573

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

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

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

Capital risk management

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

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

12 Distributions to unit holders

There were no distributions declared for the period ended 30 June 2019.

13 Cash and cash equivalents

	As at 30 June 2019 $
Cash at bank	389,098
Total cash and cash equivalents	**389,098**

These accounts are earning a floating interest rate of between -0.60% and 0.50% as at 30 June 2019.

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

	For the period 13 December 2018 to 30 June 2019 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	-
Increase/(decrease) in net assets attributable to unit holders	63,340
Proceeds from sale of financial instruments held at fair value through profit or loss	6,493,747
Purchase of financial instruments held at fair value through profit or loss	(11,838,761)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(68,028)
Net foreign exchange (gain)/loss	2,318
Net interest bought/(sold)	(10,211)
Net movement in margin accounts	(9,579)
Net change in receivables	(119,265)
Net change in payables	42,022
Distribution income reinvested	(13,417)
Net cash inflow/(outflow) from operating activities	**(5,457,834)**
(b) Non-cash operating and financing activities	
The following purchases of investments were satisfied by the participation in distribution reinvestment plans	13,417
Total non-cash operating and financing activities	**13,417**

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

15 Receivables

	As at 30 June 2019 $
Interest receivable	182
Distribution receivable	9,899
Applications receivable	11,453
GST receivable	8,331
Management fee reimbursement receivable	99,053
Other receivables	1,800
Total receivables	130,718

16 Payables

	As at 30 June 2019 $
Interest payable	289
Management fees payable	395
Redemptions payable	470
Custody fees payable	41,338
Total payables	42,492

17 Remuneration of auditor

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

	For the period 13 December 2018 to 30 June 2019 $
PricewaterhouseCoopers Australian Firm	
Audit and other assurance services	
Audit of financial statements	15,300
Audit of compliance plan	4,692
Total remuneration for audit and other assurance services	19,992
Total remuneration of PricewaterhouseCoopers Australian Firm	19,992

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

18 Other income

	For the period 13 December 2018 to 30 June 2019 $
Management fee net reimbursement	**94,831**
Other income	**1,800**
Total other income	**96,631**

19 Related party transactions

The Responsible Entity of PIMCO TRENDS Managed Futures Strategy Fund is PIMCO Australia Management Limited (ABN 37 611 709 507) (AFSL 487505). Accordingly, transactions with entities related to PIMCO Australia Management Limited are disclosed below.

The Responsible Entity has contracted services to PIMCO Australia Pty 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 PIMCO Australia Management Limited at any time during or since the end of the period and up to the date of this report.

Adrian P Stewart	
Michael Cheng	(retired from board 1 July 2019)
Eric P Frerer	(retired from board 1 July 2019)
Rafael Lopez	(resigned 29 April 2019)
Kimberley Stafford	
V Mangala Ananthanarayanan	(appointed to board 1 July 2019)
Brendon D Rodda	(appointed to board 1 July 2019)

(ii) 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 period.

(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 2019.

19 Related party transactions (continued)

(d) Key management personnel compensation

Key management personnel were not paid by the Responsible Entity during the reporting period. Payments made from the Fund to the Responsible Entity 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 the 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 period and there were no material contracts involving management personnel's interests existing at period end.

(g) Responsible Entity and 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 period and amounts payable as at period end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	For the period 13 December 2018 to 30 June 2019
	$
Management fees paid for the period	13,592
Management fees reimbursement received for the period	(108,423)
Total management fees payable at period end	10,457
Total management fee reimbursement receivable at period end	(109,510)
Responsible Entity fees for the period	406
Total fees payable to the Responsible Entity at period end	395

Investment management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Fund's Product Disclosure Statement.

(h) Related party unit holdings

Parties related to the Fund (including PIMCO Australia Management Limited, its related parties and other schemes managed by PIMCO Australia Management Limited and the Investment Manager) held no units in the Fund as at 30 June 2019.

19 Related party transactions (continued)

(i) Investments

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

	Fair value of investments $	Interest held %	Distributions received $	Distributions receivable $	Units acquired during the period	Units disposed during the period
As at 30 June 2019						
PIMCO Select Funds plc - PIMCO US Dollar Short-Term Floating NAV Fund	**4,574,976**	**0.04**	**13,417**	**10,026**	**320,568**	**-**

20 Events occurring after the reporting period

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the period ended on that date.

21 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 6 to 35 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 2019 and of its performance for the period 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.

(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 PIMCO Australia Management Limited.

Director

Sydney
25 September 2019

Independent auditor's report

To the unitholders of PIMCO TRENDS Managed Futures Startegy Fund

Our opinion

In our opinion:

The accompanying financial report of PIMCO TRENDS Managed Futures Startegy Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2019 and of its financial performance for the period 13 December 2018 to 30 June 2019

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of comprehensive income for the period 13 December 2018 to 30 June 2019
- the statement of changes in equity for the period 13 December 2018 to 30 June 2019
- the statement of cash flows for the period 13 December 2018 to 30 June 2019
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

Basis for opinion

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

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

Independence

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

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the period 13 December 2018 to 30 June 2019, including the Directors' report but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Registered Scheme 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 of the Responsible Entity determines 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 of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

CJ Cummins
Partner

Sydney
25 September 2019