

RARE Infrastructure Limited
Managed Investment Schemes
Annual reports for the financial year ended 30 June 2020

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Directors' report

The directors of Legg Mason Asset Management Australia Limited, the Responsible Entity of the following managed investment schemes (the "Funds"), present their report together with the financial reports of the Funds for the financial year ended 30 June 2020.

Statutory name	Referred to in this document as	ARSN
RARE Infrastructure Value Fund - Hedged	Infrastructure Value Fund - Hedged	121 027 709
RARE Infrastructure Income Fund	Infrastructure Income Fund	132 182 631
RARE Emerging Markets Fund	Emerging Markets Fund	132 182 462
RARE Infrastructure Value Fund - Unhedged	Infrastructure Value Fund - Unhedged	150 677 017

Responsible Entity

The Responsible Entity of the above Funds is Legg Mason Asset Management Australia Limited (ABN 76 004 835 849). The Responsible Entity's registered office is:

Legg Mason Asset Management Australia Limited
Level 47
120 Collins Street
Melbourne VIC 3000

Principal activities

During the financial year, the Funds continued to invest in accordance with target asset allocations as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

The Funds did not have any employees during the financial year.

There were no significant changes in the nature of the Funds' activities during the financial year.

Directors

The following persons held office as directors of Legg Mason Asset Management Australia Limited during the financial year or since the end of the financial year and up to the date of this report:

Q. Lupo
E. Venner
A. Sowerby
A. Oimert (appointed 5 August 2019)
A. Stitt (appointed 5 August 2019)

Directors' report (continued)

Review and results of operations

During the financial year, the Funds continued to invest in accordance with target asset allocations as set out in the governing documents of the relevant Funds and in accordance with the provisions of the Funds' Constitutions.

Results

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

	Infrastructure Value Fund - Hedged		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	(46,564)	108,101	(19,055)	16,654	(20,531)	144,208
Distribution paid and payable (\$)	31,105	37,956	1,237	4,656	50,407	73,145
Distribution (cents per unit)	3.75	3.75	2.00	7.02	7.50	9.53
Infrastructure Income Fund						
	30 June 2020 \$'000	30 June 2019 \$'000				
Operating profit/(loss) before finance costs attributable to unitholders	1,463	1,138				
Class A						
Distribution paid and payable (\$)	1,822	185				
Distribution (cents per unit)	7.52	6.35				
Class X						
Distribution paid and payable (\$)	8,093	162				
Distribution (cents per unit)	6.08	4.48				

Further information on distributions to unitholders is disclosed in note 5 to the financial statements.

Directors' report (continued)

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 Funds that occurred during the financial year.

Matters subsequent to the end of the financial year

As discussed in note 16 to the financial statements, no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

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

COVID-19 Outbreak

During the reporting period, the spread of the coronavirus (COVID-19) outbreak expanded and has significantly impacted the global economy and financial markets. The eventual severity of the impact as a result of COVID-19 remains uncertain; however, the length and depth of the downturn, as well as its impact on financial markets, will be driven by a number of factors, such as government economic, health and social policies, as well as efforts to "flatten the curve" through public lockdowns, quarantines and social distancing.

In the meantime, aggressive monetary and fiscal actions have been taken around the globe. We encourage investors to maintain a long-term perspective with respect to their financial holdings and recommend they seek the guidance and support from a trusted financial professional regarding their individual circumstances during this challenging time.

We will continue to assess the potential financial and other impacts of the COVID-19 outbreak on Fund operations, as well as the impact on investment outcomes and increased volatility in investment performance.

Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of Legg Mason Asset Management Australia Limited or the auditors of the Funds. So long as the officers of Legg Mason Asset Management Australia Limited act in accordance with the Funds' Constitutions and the law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

Indemnity of auditors

The auditors of the Funds are in no way indemnified out of the assets of the Funds.

Directors' report (continued)

Fees paid to and interests held in the Funds by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Funds' property during the financial year are disclosed in note 10 to the financial reports.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the financial year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 10 to the financial reports.

Interests in the Funds

The movement in units on issue in the Funds during the financial year is disclosed in note 4 to the financial reports.

The value of the Funds' assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 2 to the financial reports.

Environmental regulation

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

Roundings of amounts to the nearest thousand dollars

The Funds are entities of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars or nearest dollar, unless otherwise stated.

Single set of financial statements

The Funds are of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* issued by the Australian Securities and Investments Commission ("ASIC") and in accordance with that ASIC Instrument, Funds with a common Responsible Entity (or related responsible entities) can include their financial statements in adjacent columns in a single set of financial statements.

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.



Q. Lupo
Director

Melbourne

23 September 2020



Auditor's Independence Declaration

- RARE Infrastructure Value Fund – Hedged
- RARE Infrastructure Income Fund
- RARE Emerging Markets Fund
- RARE Infrastructure Value Fund – Unhedged (collectively “the Funds”)

As lead auditor for the audit of the Funds for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'Kate L Logan'.

Kate L Logan
Partner
PricewaterhouseCoopers

Melbourne
23 September 2020

Statements of comprehensive income

		Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	Notes	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Investment income									
Interest income	3	175	253	42	9	32	115	182	299
Dividend/distribution income		27,547	38,157	7,625	627	3,142	4,234	27,372	37,546
Net gains/(losses) on financial instruments at fair value through profit or loss		(60,737)	82,965	(4,588)	632	(20,361)	14,646	(35,108)	121,845
Other operating income		251	95	8	4	-	10	-	59
Net foreign exchange gains/(losses)		(3,263)	(1,621)	(436)	(39)	(187)	(459)	(2,660)	(1,596)
Total net investment income/(loss)		(36,027)	119,849	2,651	1,233	(17,374)	18,546	(10,214)	158,153
Expenses									
Management fees	10	9,092	10,278	833	55	1,514	1,678	8,835	9,626
Performance fees		-	-	-	-	-	-	-	2,958
Transaction costs		1,445	1,470	355	40	145	214	1,435	1,361
Other operating expenses		-	-	-	-	22	-	47	-
Total operating expenses		10,537	11,748	1,188	95	1,681	1,892	10,317	13,945
Operating profit/(loss)		(46,564)	108,101	1,463	1,138	(19,055)	16,654	(20,531)	144,208
Finance costs attributable to unitholders*									
Distributions to unitholders	5	-	-	(9,915)	(347)	-	-	-	-
Net assets attributable to unitholders - liability	4	-	-	8,452	(791)	-	-	-	-
Profit/(loss) for the financial year		(46,564)	108,101	-	-	(19,055)	16,654	(20,531)	144,208
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the financial year		(46,564)	108,101	-	-	(19,055)	16,654	(20,531)	144,208

***Infrastructure Income Fund**

Net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime.

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

Statements of financial position

	Notes	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
		30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Assets									
Cash and cash equivalents	6	18,101	15,220	5,308	3,390	4,359	5,821	10,988	20,367
Receivables		4,798	8,400	1,454	488	798	350	4,478	9,046
Due from brokers - receivable for securities sold		-	17,312	7,398	511	-	-	9,837	12,530
Financial assets at fair value through profit or loss	7	768,506	951,132	192,862	35,954	111,742	123,007	739,753	963,959
Total assets		791,405	992,064	207,022	40,343	116,899	129,178	765,056	1,005,902
Liabilities									
Distributions payable	5	2,008	2,321	5,481	171	-	2,934	3,168	29,994
Payables		3,009	1,682	162	15	155	130	2,440	5,549
Due to brokers - payable for securities purchased		1,589	-	8,011	1,621	-	847	1,648	-
Financial liabilities at fair value through profit or loss	8	14,513	13,462	443	245	-	-	5	8
Total liabilities (30 June 2019: excluding net assets attributable to unitholders)		21,119	17,465	14,097	2,052	155	3,911	7,261	35,551
Net assets attributable to unitholders - liability*	4	-	-	192,925	38,291	-	-	-	-
Net assets attributable to unitholders - equity	4	770,286	974,599	-	-	116,744	125,267	757,795	970,351

***Infrastructure Income Fund**

Net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime.

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

RARE Infrastructure Limited
Managed Investment Schemes
Statements of changes in net assets attributable to unitholders - equity/liability
For the financial year ended 30 June 2020

Statements of changes in net assets attributable to unitholders - equity/liability

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund*		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity/liability at the beginning of the financial year	974,599	-	38,291	3,647	125,267	-	970,351	-
Reclassification due to AMIT tax regime implementation	4	-	1,079,774	-	-	189,392	-	988,212
Comprehensive income for the year								
Profit/(loss) for the year	(46,564)	108,101			(19,055)	16,654	(20,531)	144,208
Total comprehensive income	(46,564)	108,101	-	-	(19,055)	16,654	(20,531)	144,208
Transactions with unitholders								
Operating profit/(loss) attributed to unitholders	-	-	1,463	1,138	-	-	-	-
Applications	142,702	99,191	173,228	34,309	26,329	7,162	135,476	152,835
Redemptions	(278,672)	(302,346)	(10,978)	(511)	(18,316)	(93,863)	(297,470)	(261,563)
Reinvestment of distributions	9,326	27,835	836	55	3,756	10,578	20,376	19,804
Distributions paid and payable	(31,105)	(37,956)	(9,915)	(347)	(1,237)	(4,656)	(50,407)	(73,145)
Total transactions with unitholders	(157,749)	(213,276)	154,634	34,644	10,532	(80,779)	(192,025)	(162,069)
Total equity/liability at the end of the financial year	770,286	974,599	192,925	38,291	116,744	125,267	757,795	970,351

***Infrastructure Income Fund**

Net assets attributable to unitholders are classified as a liability rather than equity as its multi-class structure means that it has not met the strict criteria for recognition as equity, despite its election into the AMIT tax regime.

The above statements of changes net assets attributable to unitholders - equity/liability should be read in conjunction with the accompanying notes.

Statements of cash flows

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities								
Proceeds from sale of financial instruments at fair value through profit or loss	845,372	730,108	106,450	3,946	52,604	114,972	805,053	618,613
Purchase of financial instruments at fair value through profit or loss	(706,794)	(504,486)	(268,681)	(34,409)	(62,735)	(41,438)	(614,277)	(482,369)
Transaction costs	(1,445)	(1,470)	(355)	(40)	(145)	(214)	(1,435)	(1,361)
Dividends/distributions received	31,103	37,063	6,751	342	2,690	4,509	31,436	35,728
Interest received	175	253	42	9	32	116	183	299
Management fees paid	(9,112)	(10,368)	(758)	(44)	(1,508)	(1,733)	(8,662)	(9,631)
Other income received	251	95	8	4	-	10	-	59
Performance fees paid	-	-	-	-	-	-	(3,175)	-
Payment of other expenses	-	-	-	-	(18)	-	(47)	-
Net cash inflow/(outflow) from operating activities	159,550	251,195	(156,543)	(30,192)	(9,080)	76,222	209,076	161,338
Cash flows from financing activities								
Proceeds from applications by unitholders	142,698	99,424	173,159	34,135	26,330	7,192	135,722	152,686
Payments for redemptions by unitholders	(277,275)	(302,929)	(10,929)	(511)	(18,298)	(94,350)	(297,320)	(261,294)
Distributions paid	(22,092)	(43,902)	(3,769)	(184)	(415)	(715)	(56,857)	(48,490)
Net cash inflow/(outflow) from financing activities	(156,669)	(247,407)	158,461	33,440	7,617	(87,873)	(218,455)	(157,098)
Net increase/(decrease) in cash and cash equivalents	2,881	3,788	1,918	3,248	(1,463)	(11,651)	(9,379)	4,240
Cash and cash equivalents at the beginning of the financial year	15,220	11,432	3,390	142	5,821	17,473	20,367	16,127
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	-	-	-	1	(1)	-	-
Cash and cash equivalents at the end of the financial year	18,101	15,220	5,308	3,390	4,359	5,821	10,988	20,367
Non-cash financing activities - distributions reinvested	9,326	27,835	836	55	3,756	10,578	20,376	19,804

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

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1 General information

These financial reports cover the following Funds (the "Funds") which are Australian registered managed investment schemes. The Funds were constituted on the dates set out below, and will terminate on the dates set out below unless terminated earlier in accordance with the provisions of the Funds' Constitutions.

Fund name	Referred to in this document as	Constituted Date	Termination Date
RARE Infrastructure Value Fund - Hedged	Infrastructure Value Fund - Hedged	1 August 2006	31 July 2086
RARE Infrastructure Income Fund	Infrastructure Income Fund	9 July 2008	8 July 2088
RARE Emerging Markets Fund	Emerging Markets Fund	9 July 2008	8 July 2088
RARE Infrastructure Value Fund - Unhedged	Infrastructure Value Fund - Unhedged	2 May 2011	1 May 2091

The Responsible Entity of the Funds is Legg Mason Asset Management Australia Limited (the "Responsible Entity"), which is incorporated and domiciled in Australia. The Responsible Entity's registered office is:

Legg Mason Asset Management Australia Limited
 Level 47
 120 Collins Street
 Melbourne VIC 3000

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement and its Constitution.

Net assets attributable to unitholders of Infrastructure Income Fund remain disclosed as a liability as its multi-class structure means it has not met the strict criteria for recognition as equity, despite its' election into the AMIT tax regime. See note 4 for further information.

The financial reports were authorised for issue by the directors on 23 September 2020. The directors of the Responsible Entity have the power to amend and reissue the financial reports.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial reports 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 reports have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Funds are for-profit entities for the purpose of preparing the financial reports.

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

The statements of financial position are 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 twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months in relation to these balances cannot be reliably determined.

The Funds manage financial assets at fair value through profit or loss based on 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 twelve months, however an estimate of that amount cannot be determined as at balance date.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Compliance with International Financial Reporting Standards

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

(ii) Significant accounting policies

The accounting policies in these financial statements are the same as those applied in the Funds' financial statements for the year ended 30 June 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future financial years and on foreseeable future transactions.

(b) Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Funds' power over the activities of the entity and their exposure to and ability to influence its own returns, they may control the entity. In other cases they may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Funds. Such interests include holdings of units in listed trusts. The nature and extent of the Funds' interests in structured entities are titled listed unit trusts and are summarised in notes 7 and 13.

The Funds typically have no other involvement with the structured entity other than the securities they hold as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

Exposure to trading assets are managed in accordance with financial risk management practices as set out in note 11, which includes an indication of changes in risk measures compared to prior year.

(c) Financial Instruments

(i) Classification

Assets

The Funds classify their investments based on their business models for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Funds' portfolios of financial assets are managed and their performance are evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds use fair value information to assess performance of the portfolios and to make decisions to rebalance the portfolios or to realise fair value gains or minimise losses through sales or other trading strategies. The Funds' policies are for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

2 Summary of significant accounting policies (continued)

(c) Financial Instruments (continued)

(ii) Recognition/derecognition

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

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

(iii) Measurement

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial instruments at fair value through profit or loss are measured at fair value. Gains and 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 statements of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the financial year in which they arise.

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Funds recognise the difference in the statements of comprehensive income to reflect a change in factors, including time that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 13.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to note 12 for further information.

(d) Net assets attributable to unitholders - equity/liability

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. For all Funds, the units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders. The units are carried at the redemption amount that is payable at financial position date if the holder exercises the right to put the unit back to the Funds. This amount represents the expected cash flows on redemption of these units.

2 Summary of significant accounting policies (continued)

(d) Net assets attributable to unitholders - equity/liability (continued)

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

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

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Funds' distributions, except for the Infrastructure Income Fund, are no longer classified as finance costs in the statements of comprehensive income, but rather as dividends paid in the statements of net assets attributable to unitholders - equity/liability.

(e) Cash and cash equivalents

For statements of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition 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 movements in the fair value of these securities represent the Funds' main income generating activity.

(f) Investment income

Interest income is recognised in the statements of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(c).

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statements of comprehensive income.

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

Fund distributions are recognised on an entitlement basis.

(g) Expenses

All expenses, including management fees, Responsible Entity's fees, administration and other Funds' costs are recognised in the statements of comprehensive income on an accruals basis. Administration and other Funds' costs include administrative fees, compliance fees, regulatory charges, custodian fees and audit fees.

2 Summary of significant accounting policies (continued)

(h) Income tax

Under current legislation, the Funds are not subject to income tax provided they attribute the entirety of their taxable income to their unitholders.

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

(i) Distributions

In accordance with the Funds' Constitutions, the Funds distribute income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statements of changes in net assets attributable to unitholders - equity/liability.

(j) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Where the Funds' units are classified as liabilities, movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs.

(k) Unit price

The unit price is based on unit price accounting, as outlined in the Funds' Constitutions and Product Disclosure Statement.

(l) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statements of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(m) Due from/to brokers

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

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

(n) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. 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 Funds shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The amount of the impairment loss is recognised in 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.

(o) Payables

Payables includes liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the financial year.

As the Funds have contractual obligation to distribute their distributable income, a separate distribution payable is recognised in the statements of financial position as unitholders are presently entitled to the distributable income under the Funds' Constitutions.

(p) Applications and redemptions

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

2 Summary of significant accounting policies (continued)

(q) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services and investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC's) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(r) Use of estimates

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

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them.

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

For more information on how fair value is calculated please see note 4 to the financial statements.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the funds. Please see Note 11 for more information on credit risk.

(s) Rounding of amounts

The Funds are entities of the 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 off to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

3 Interest income

	30 June 2020		Average rate	30 June 2019		Average rate
	Average balance \$'000	Interest \$'000	%	Average balance \$'000	Interest \$'000	%
Infrastructure Value Fund - Hedged						
Cash and cash equivalents	35,563	175	0.49	13,761	253	1.84
	<u>35,563</u>	<u>175</u>		<u>13,761</u>	<u>253</u>	
Infrastructure Income Fund						
Cash and cash equivalents	7,735	42	0.54	613	9	1.47
	<u>7,735</u>	<u>42</u>		<u>613</u>	<u>9</u>	
Emerging Markets Fund						
Cash and cash equivalents	6,400	32	0.50	7,739	115	1.49
	<u>6,400</u>	<u>32</u>		<u>7,739</u>	<u>115</u>	
Infrastructure Value Fund - Unhedged						
Cash and cash equivalents	33,818	182	0.54	17,902	299	1.67
	<u>33,818</u>	<u>182</u>		<u>17,902</u>	<u>299</u>	

4 Net assets attributable to unitholders - equity/liability

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

	30 June 2020 No. '000	30 June 2019 No. '000	30 June 2020 \$'000	30 June 2019 \$'000
Infrastructure Value Fund - Hedged				
Opening balance	923,800	1,102,100	974,599	1,079,774
Applications	139,897	100,050	142,702	99,191
Redemptions	(269,530)	(306,986)	(278,672)	(302,346)
Units issued upon reinvestment of distributions	9,110	28,636	9,326	27,835
Distributions paid and payable	-	-	(31,105)	(37,956)
Profit/(loss) for the year	-	-	(46,564)	108,101
Closing balance	803,277	923,800	770,286	974,599

	30 June 2020 No. '000	30 June 2019 No. '000	30 June 2020 \$'000	30 June 2019 \$'000
Infrastructure Income Fund				

Opening balance			38,291	3,647
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Class A

Opening balance	3,546	2,951	4,972	3,647
Applications	30,300	925	43,668	1,248
Redemptions	(4,169)	(373)	(5,709)	(478)
Units issued upon reinvestment of distributions	40	43	54	55
Increase/(decrease) in net assets attributable to unitholders	-	-	(2,410)	500
Closing balance	29,717	3,546	40,575	4,972

Class X

Opening balance	32,640	-	33,319	-
Applications	125,303	32,674	129,560	33,061
Redemptions	(5,289)	(34)	(5,269)	(33)
Units issued upon reinvestment of distributions	783	-	782	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(6,042)	291
Closing balance	153,437	32,640	152,350	33,319

Closing balance			192,925	38,291
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4 Net assets attributable to unitholders - equity/liability (continued)

	30 June 2020 No. '000	30 June 2019 No. '000	30 June 2020 \$'000	30 June 2019 \$'000
Emerging Markets Fund				
Opening balance	64,854	106,543	125,267	189,392
Applications	16,379	3,925	26,329	7,162
Redemptions	(9,519)	(51,541)	(18,316)	(93,863)
Units issued upon reinvestment of distributions	1,918	5,927	3,756	10,578
Distributions paid and payable	-	-	(1,237)	(4,656)
Profit/(loss) for the year	-	-	(19,055)	16,654
Closing balance	73,632	64,854	116,744	125,267

	30 June 2020 No. '000	30 June 2019 No. '000	30 June 2020 \$'000	30 June 2019 \$'000
Infrastructure Value Fund - Unhedged				
Opening balance	743,930	814,708	970,351	988,212
Applications	102,498	123,017	135,476	152,835
Redemptions	(228,653)	(209,940)	(297,470)	(261,563)
Units issued upon reinvestment of distributions	15,722	16,145	20,376	19,804
Distributions paid and payable	-	-	(50,407)	(73,145)
Profit/(loss) for the year	-	-	(20,531)	144,208
Closing balance	633,497	743,930	757,795	970,351

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. There are up to two classes of unitholders in Infrastructure Income Fund being Class A and Class X. The management fees charged on Class A unitholdings are paid by Infrastructure Income Fund to the Responsible Entity. Class X unitholders pay management fees directly to the Responsible Entity. In all other respects, the two classes of units carry equal rights.

Units are redeemed on demand at the unitholder'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 financial year cannot be reliably determined.

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds except Infrastructure Income Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions. Otherwise the financial instrument should be disclosed as a liability.

Net assets attributable to unitholders of Infrastructure Income Fund remain disclosed as a liability as its' multi-class structure means it have not met the strict criteria for recognition as equity, despite its' election into the AMIT tax regime. Net assets attributable to unitholders of Infrastructure Income Fund remain disclosed as a liability as it did not meet the requirements to elect into AMIT tax regime.

4 Net assets attributable to unitholders - equity/liability (continued)

Capital risk management

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

Infrastructure Value Fund - Hedged, Emerging Markets Fund and Infrastructure Value Fund - Unhedged consider their net assets attributable to unitholders as capital.

For all Funds, daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitutions, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Responsible Entity monitors the impact of applications and redemptions relative to the liquid assets in the Funds.

Capital gains/(losses)

At the end of the financial year, the Funds had the following net unrealised taxable capital gains/(losses):

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Unrealised taxable capital gains/(losses)	(17,625)	16,849	(12,169)	326	(13,685)	1,922	(13,924)	20,285

5 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2020 \$'000	30 June 2020 CPU	30 June 2019 \$'000	30 June 2019 CPU
Infrastructure Value Fund - Hedged				
Distributions				
Distributions paid - September	12,662	1.50	16,041	1.50
Distributions paid - December	8,285	1.00	9,966	1.00
Distributions paid - March	8,150	1.00	9,628	1.00
Distributions payable - June	2,008	0.25	2,321	0.25
	<u>31,105</u>		<u>37,956</u>	

5 Distributions to unitholders (continued)

	30 June 2020 \$'000	30 June 2020 CPU	30 June 2019 \$'000	30 June 2019 CPU
Infrastructure Income Fund				
Class A				
Distributions paid - September	71	1.16	28	1.00
Distributions paid - December	123	0.61	29	1.00
Distributions paid - March	514	2.00	116	4.00
Distributions payable - June	1,114	3.75	12	0.35
	<u>1,822</u>		<u>185</u>	
Class X				
Distributions paid - September	883	1.00	-	-
Distributions paid - December	873	0.73	-	-
Distributions paid - March	1,970	1.50	3	4.00
Distributions payable - June	4,367	2.85	159	0.48
	<u>8,093</u>		<u>162</u>	
Emerging Markets Fund				
Distributions				
Distributions paid - December	1,237	2.00	1,722	2.50
Distributions payable - June	-	-	2,934	4.52
	<u>1,237</u>		<u>4,656</u>	
Infrastructure Value Fund - Unhedged				
Distributions				
Distributions paid - September	13,747	2.00	12,246	1.50
Distributions paid - December	13,634	2.00	11,871	1.50
Distributions paid - March	19,858	3.00	19,034	2.50
Distributions payable - June	3,168	0.50	29,994	4.03
	<u>50,407</u>		<u>73,145</u>	

6 Cash and cash equivalents

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	18,101	15,220	5,308	3,390	4,359	5,821	10,988	20,367
	18,101	15,220	5,308	3,390	4,359	5,821	10,988	20,367

7 Financial assets at fair value through profit or loss

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Financial assets at fair value through profit and loss								
Listed equities	679,063	858,232	163,554	29,887	111,742	123,007	678,111	874,487
Listed unit trusts	61,600	87,643	24,822	5,884	-	-	61,642	89,472
Forward foreign exchange contracts	27,843	5,257	4,486	183	-	-	-	-
Total	768,506	951,132	192,862	35,954	111,742	123,007	739,753	963,959

8 Financial liabilities at fair value through profit or loss

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Financial liabilities at fair value through profit and loss								
Forward foreign exchange contracts	14,513	13,462	443	245	-	-	5	8
Total	14,513	13,462	443	245	-	-	5	8

9 Derivative financial instruments

In the normal course of business, the Funds enter 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 and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' 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 Funds against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- 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

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

The Funds may hold the following derivative instruments:

(a) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Funds are exchange-traded. The Funds are exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

(b) Forward foreign currency contracts

Forward foreign currency contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on its non Australia dollar denominated trading securities. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward foreign currency contracts are valued at the prevailing last price at the end of the financial year. The Funds recognise a gain or loss equal to the change in fair value at the end of the financial year.

	Infrastructure Value Fund - Hedged			Infrastructure Income Fund		
	Contract/ notional	Fair values		Contract/ notional	Fair values	
30 June 2020	\$'000	Assets \$'000	Liabilities \$'000	\$'000	Assets \$'000	Liabilities \$'000
Forward foreign exchange contracts	3,503,857	27,843	14,513	802,482	4,486	443
	3,503,857	27,843	14,513	802,482	4,486	443
30 June 2019						
Forward foreign exchange contracts	895,785	5,257	13,462	59,257	183	245
	895,785	5,257	13,462	59,257	183	245

9 Derivative financial instruments (continued)

(b) Forward foreign currency contracts (continued)

	Infrastructure Value Fund - Unhedged		
	Contract/ notional	Fair values	
		Assets	Liabilities
30 June 2020	\$'000	\$'000	\$'000
Forward foreign exchange contracts	1,548	-	5
	1,548	-	5
30 June 2019			
Forward foreign exchange contracts	5,543	-	8
	5,543	-	8

An overview of the risk exposures relating to derivatives is included in note 11.

10 Related party transactions

Responsible Entity

The Responsible Entity of the following Funds is Legg Mason Asset Management Australia Limited.

- Infrastructure Value Fund - Hedged
- Infrastructure Income Fund
- Emerging Markets Fund
- Infrastructure Value Fund - Unhedged

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Legg Mason Asset Management Australia Limited at any time during the financial year as follows:

- Q. Lupo
- E. Venner
- A. Sowerby
- A. Oimert (appointed 5 August 2019)
- A. Stitt (appointed 5 August 2019)

(b) Other key management personnel

Other than the directors detailed in note 10(a) there were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

10 Related party transactions (continued)

Related party unitholdings

Parties related to the Funds (including RARE Infrastructure Limited and Legg Mason Asset Management Australia Limited, its related parties and other funds managed by Legg Mason Asset Management Australia Limited), held units in the Funds in 2020 and 2019 as follows:

Infrastructure Value Fund - Hedged

2020							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
RARE Infrastructure Limited	253	263	252	-	10	-	10
2019							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
RARE Infrastructure Limited	236	253	267	-	17	-	9

Infrastructure Income Fund

2020							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
RARE Infrastructure Limited	275	284	334	-	9	-	19
2019							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
RARE Infrastructure Limited	222	275	332	0.01	153	(100)	288

10 Related party transactions (continued)

Related party unitholdings (continued)

Emerging Markets Fund

2020		Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Unitholder								
RARE Infrastructure Limited		164	169	343	0.01	5	-	3
2019								
Unitholder		Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
RARE Infrastructure Limited		154	164	317	0.01	10	-	11

Infrastructure Value Fund - Unhedged

2020		Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
Unitholder								
RARE Infrastructure Limited		182	197	229	0.01	15	-	14
2019								
Unitholder		Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Fund \$
RARE Infrastructure Limited		164	182	237	0.01	18	-	22

10 Related party transactions (continued)

Key management personnel unitholdings

As at 30 June 2020 and 30 June 2019, key management personnel held units in the Funds as per below, except Infrastructure Value Fund - Hedged:

Infrastructure Income Fund

2020							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Trust \$
Key management personnel	119,506	124,395	169,849	0.07	4,889	-	11,011
2019							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Trust \$
Key management personnel	111,158	119,506	167,595	0.33	8,348	-	8,788

Emerging Markets Fund

2020							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Trust \$
Key management personnel	14,871	15,564	25,039	0.02	693	-	675
2019							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Trust \$
Key management personnel	13,798	14,871	28,727	0.02	1,073	-	1,366

10 Related party transactions (continued)

Key management personnel unitholdings (continued)

Infrastructure Value Fund - Unhedged

2020							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Trust \$
Key management personnel	1,013,402	1,113,232	1,335,005	0.18	99,830	-	94,095
2019							
Unitholder	Number of units held opening Units	Number of units held closing Units	Fair value of investment \$	Closing interest held %	Number of units acquired Units	Number of units disposed Units	Distributions paid/payable by the Trust \$
Key management personnel	936,674	1,013,402	1,322,084	0.14	76,728	-	106,245

Key management personnel compensation

No amount is paid by the Funds directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Funds to the Directors as key management personnel.

Key management personnel loan disclosures

The Funds have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their directly related parties at any time during the financial year.

Investments

The Funds did not hold any investments in Legg Mason Asset Management Australia Limited or its related parties during the financial year.

Other transactions within the Funds

From time to time directors of the Responsible Entity, or their directly related entities, may invest in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

10 Related party transactions (continued)

Investment Manager's fees and other transactions

For the year ended 30 June 2020, in accordance with the Funds' Constitutions, the Investment Manager received fees based on the below percentage of the respective Funds' net asset value (inclusive of GST, net of RITC available to the Funds) per annum as follows:

Infrastructure Value Fund - Hedged 1.025% (2019: 1.025%)

Infrastructure Income Fund 1.025% (2019: 1.025%)

Emerging Markets Fund 1.230% (2019: 1.230%)

Infrastructure Value Fund - Unhedged 0.974% (2019: 0.974%)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Funds and the Investment Manager were as follows:

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020 \$	30 June 2019 \$	30 June 2020 \$	30 June 2019 \$	30 June 2020 \$	30 June 2019 \$	30 June 2020 \$	30 June 2019 \$
Fees earned by the Investment Manager for the management of investments	9,092,389	10,278,093	832,839	54,888	1,513,884	1,677,955	8,834,510	9,625,975
Fees payable to the Investment Manager as at end of the financial year	761,071	831,751	113,234	14,623	136,473	129,864	717,150	801,990
Performance fees earned by the Investment Manager for the management of investments	-	-	-	-	-	-	209	2,958,137
Performance fees payable to the Investment Manager as at end of the financial year	-	-	-	-	-	-	-	3,174,586

There was nil performance fee expense and performance fee payable in 2020 and 2019 by the Infrastructure Value Fund - Hedged, Infrastructure Income Fund and Emerging Markets Fund to the investment manager RARE Infrastructure Limited.

The performance fees paid for all Funds' are in accordance with the Product Disclosure Statement. The performance fee paid in any one year is capped at 0.30% of the average of the daily net asset value of the Funds in any financial year. Historically, any additional performance fees earned but unpaid are accrued and payable in the future years subject to performance criteria being met per the Product Disclosure Statement.

11 Financial risk management

(a) Strategy in using financial instruments

The allocation of assets between the various types of financial instruments is determined by the Funds' investment manager as identified in the Funds' Product Disclosure Statement who manages the Funds' assets to achieve the Funds' investment objectives. The monitoring of asset allocations and the composition of the assets is also monitored by the Funds' investment manager on at least a monthly basis. The custody of assets is outsourced to RBC Investor Services Trust.

Financial instruments of the Funds are comprised of investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives (used from time to time), cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. The Funds' investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the Funds' exposure to each of the above risks, the Funds' objectives, policies and process for measuring and managing risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the Funds' financial risk management framework.

The Responsible Entity oversees how management monitors compliance with the Funds' financial risk management policies and procedures. The Responsible Entity also ensures the continued adequacy of the financial risk management framework.

Information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the investment manager, compliance manager, other key management and ultimately the directors of the Responsible Entity.

The use of derivatives is considered to be part of the investment and asset management process and is not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- As a substitute for physical securities until the physical position can be established;
- Adjusting asset exposures within the parameters set in the investment strategy; and
- Adjusting the duration of fixed interest assets or the weighted average maturity of cash assets.

Derivatives are not used to gear (leverage) an asset. Gearing an asset would occur if the level of exposure to the markets exceeds the underlying value of the Funds.

The Responsible Entity continues to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak. The current high level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year. At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment markets, and the resulting impact on the Funds, are uncertain. The Responsible Entity will continue to monitor this situation.

11 Financial risk management (continued)

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Funds' income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Funds are exposed, particularly in equity assets, to market risks. The Funds also utilise derivatives. The Funds invest in securities traded on global markets, market risk is a risk to which exposure is unavoidable. The risk is mitigated through diversification of the portfolio that is captured by investments in various geographic zones and industries.

(i) Currency risk

Funds that invest in international assets are exposed to currency risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Funds may enter into derivative contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each Fund, and agreed acceptable level of currency risk.

The Funds may enter into transactions denominated in currencies other than Australian dollars. The Funds are therefore exposed to risks that the exchange rate of the Australian dollar relative to other foreign currencies may change and have an adverse effect on the Funds' assets and liabilities denominated in currencies other than the Australian dollar.

Foreign currency exposure is monitored by the Responsible Entity. The Investment Manager aims to remove the effect of foreign currency exposure on the Funds' investments wherever it is possible and prudent to do so.

As noted in the respective Product Disclosure Statements, it is the Investment Manager's intention to substantially hedge all the currency exposure back to the Australia dollar for the Infrastructure Value Fund - Hedged.

The table below indicates the currencies to which the Funds had significant exposure at 30 June 2020 and 30 June 2019 on its assets and liabilities.

The Funds' total exposure to currency risk was as follows:

		Monetary financial assets/ (liabilities) \$'000	Non Monetary financial assets/ (liabilities) \$'000	Forward foreign currency contracts \$'000	Net currency exposure \$'000
Infrastructure Value Fund - Hedged					
30 June 2020					
United States	USD	359,419	798	(354,546)	5,671
Europe	EUR	216,855	2,446	(219,812)	(511)
United Kingdom	GBP	59,240	1,233	(55,817)	4,656
Others		43,549	15	(47,862)	(4,298)
		679,063	4,492	(678,037)	5,518
30 June 2019					
United States	USD	8,136	315,578	(372,021)	(48,307)
Europe	EUR	1,070	155,752	(155,851)	971
United Kingdom	GBP	5,141	167,347	(173,232)	(744)
Others		9,817	219,554	(202,886)	26,485
		24,164	858,231	(903,990)	(21,595)

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

Infrastructure Income Fund		Monetary financial assets/ (liabilities) \$'000	Non Monetary financial assets/ (liabilities) \$'000	Forward foreign currency contracts \$'000	Net currency exposure \$'000
30 June 2020					
United States	USD	(1,493)	55,925	(55,147)	(715)
Euro	EUR	(665)	40,531	(38,235)	1,631
United Kingdom	GBP	(3,552)	25,873	(20,568)	1,753
Others		(759)	34,878	(32,248)	1,871
		(6,469)	157,207	(146,198)	4,540
30 June 2019					
United States	USD	(231)	6,925	(7,866)	(1,172)
Canada	CAD	(227)	7,392	(7,081)	84
Euro	EUR	(98)	5,850	(5,640)	112
Others		(79)	8,721	(7,197)	1,445
		(635)	28,888	(27,784)	469
Emerging Markets Fund					
30 June 2020					
Hong Kong	HKD	26,367	714	-	27,081
Mexico	MXN	16,902	105	-	17,007
Brazil	BRL	11,635	35	-	11,670
Others		56,840	23	(8)	56,855
		111,744	877	(8)	112,613

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

		Monetary financial assets/ (liabilities) \$'000	Non Monetary financial assets/ (liabilities) \$'000	Forward foreign currency contracts \$'000	Net currency exposure \$'000
Emerging Markets Fund (continued)					
30 June 2019					
Hong Kong	HKD	295	21,962	(25)	22,232
Mexico	MXN	111	19,350	-	19,461
America	USD	(774)	16,450	-	15,676
Others		109	65,245	-	65,354
		(259)	123,007	(25)	122,723
		Monetary financial assets/ (liabilities) \$'000	Non Monetary financial assets/ (liabilities) \$'000	Forward foreign currency contracts \$'000	Net currency exposure \$'000
Infrastructure Value Fund - Unhedged					
30 June 2020					
United States	USD	5,946	358,870	(409)	364,407
Europe	EUR	4,574	216,667	-	221,241
United Kingdom	GBP	2,030	59,073	-	61,103
Others		395	43,501	-	43,896
		12,945	678,111	(409)	690,647
30 June 2019					
United States	USD	5,984	322,380	(158)	328,206
United Kingdom	GBP	8,004	144,995	(5,393)	147,606
Hong Kong	HKD	4,496	170,841	-	175,337
Others		1,221	236,270	-	237,491
		19,705	874,486	(5,551)	888,640

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

Infrastructure Value Fund - Hedged

A 10% strengthening of the AUD against the USD based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by 35,374,758. A 10% weakening of the AUD against the USD based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the GBP based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by 5,458,438. A 10% weakening of the AUD against the GBP based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the USD based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by \$36,388,691. A 10% weakening of the AUD against the USD based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the GBP based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by \$16,809,141. A 10% weakening of the AUD against the GBP based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

Infrastructure Income Fund

A 10% strengthening of the AUD against the USD based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by \$5,663,950. A 10% weakening of the AUD against the USD based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the EUR based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by \$3,890,069. A 10% weakening of the AUD against the EUR based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the USD based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by \$809,707. A 10% weakening of the AUD against the USD based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the CAD based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by \$730,783. A 10% weakening of the AUD against the CAD based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

Emerging Markets Fund

A 10% strengthening of the AUD against the HKD based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by \$71,430. A 10% weakening of the AUD against the HKD based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the BRL based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by \$3,494. A 10% weakening of the AUD against the BRL based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the HKD based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by \$26,931. A 10% weakening of the AUD against the HKD based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the BRL based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by \$77,441. A 10% weakening of the AUD against the BRL based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

Infrastructure Value Fund - Unhedged

A 10% strengthening of the AUD against the USD based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by 553,664. A 10% weakening of the AUD against the USD based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the EUR based on monetary exposure at 30 June 2020 would have decreased the profit from operating activities by 457,443. A 10% weakening of the AUD against the EUR based on monetary exposure at 30 June 2020 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the USD based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by \$582,543. A 10% weakening of the AUD against the USD based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of the AUD against the GBP based on monetary exposure at 30 June 2019 would have decreased the profit from operating activities by \$449,642. A 10% weakening of the AUD against the GBP based on monetary exposure at 30 June 2019 would have increased the profit from operating activities by an equal and opposite amount. This analysis assumes that all other variables, in particular interest rates, remain constant.

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds are exposed to interest rate risk on their cash holdings. Interest income from cash holdings is earned at variable interest rates. Investments in cash holdings are at call.

As the Infrastructure Value Fund's - Hedged Fund's exposure to interest rate risk is not significant, interest rate risk sensitivities have not been performed for the Funds as at 30 June 2020 and 30 June 2019.

The Infrastructure Income Fund's exposure to interest rate risk and the effective weighted average interest rate of classes of financial assets and financial liabilities at 30 June 2020 and 30 June 2019 is set out below:

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
Infrastructure Income Fund								
30 June 2020								
Financial Assets								
Cash and cash equivalents	0.05%	5,308	-	-	-	-	-	5,308
Net exposure		5,308	-	-	-	-	-	5,308
30 June 2019								
Financial Assets								
Cash and cash equivalents	1.44%	3,390	-	-	-	-	-	3,390
Net exposure		3,390	-	-	-	-	-	3,390

Sensitivity analysis

An increase of 0.75% (2019: 0.75%) in interest rates applicable at the end of the financial year would have increased profit from operating activities by \$39,811 (2019: \$25,424). A decrease of 0.75% (2019: 0.75%) would have decreased the profit by an equal and opposite amount. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant.

The Emerging Markets Fund's exposure to interest rate risk and the effective weighted average interest rate of classes of financial assets and financial liabilities at 30 June 2020 and 30 June 2019 is set out below:

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
Emerging Markets Fund								
30 June 2020								
Financial Assets								
Cash and cash equivalents	1.41%	4,359	-	-	-	-	-	4,359
Net exposure		4,359	-	-	-	-	-	4,359

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

Emerging Markets Fund (continued)	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 June 2019								
Financial Assets								
Cash and cash equivalents	1.38%	5,821	-	-	-	-	-	5,821
Net exposure		5,821	-	-	-	-	-	5,821

Sensitivity analysis

An increase of 0.75% (2019: 0.75%) in interest rates applicable at end of the financial year would have increased profit from operating activities by \$32,693 (2019: \$43,659). A decrease of 0.75% (2019: 0.75%) would have decreased the profit by an equal and opposite amount. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant.

Infrastructure Value Fund - Unhedged	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
30 June 2020								
Financial Assets								
Cash and cash equivalents	0.17%	10,988	-	-	-	-	-	10,988
Net exposure		10,988	-	-	-	-	-	10,988
30 June 2019								
Financial Assets								
Cash and cash equivalents	1.16%	20,367	-	-	-	-	-	20,367
Net exposure		20,367	-	-	-	-	-	20,367

Sensitivity analysis

An increase of 0.75% (2019: 0.75%) in interest rates applicable at end of the financial year would have increased profit from operating activities by \$82,406 (2019: \$152,755). A decrease of 0.75% (2019: 0.75%) would have decreased the profit by an equal and opposite amount. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant.

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Equity price risk

Equity price risk is the risk that the fair values of equities or equity-linked derivatives decrease as a result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities.

Management's best estimate of the effect on profit/(loss) for the year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the following table. In practice the actual trading results may differ from the sensitivity analysis and the difference could be material.

As the majority of the Funds' investments are carried at fair value with fair value changes recognised in the statements of comprehensive income, all changes in market conditions will directly affect net investment income.

Risk management techniques are used in the selection of investments. Securities/investments (including derivatives) are only purchased that meet investment criteria.

Sensitivity analysis

The sensitivity is based on a generic approach using +/- 10%, which gives the user/investor a benchmark to demonstrate how sensitive each portfolio is in relation to changes in various risk parameters.

An increase of 10% (2019: 10%) at the end of the financial year of the underlying investments' prices for Infrastructure Value Fund - Hedged would have increased profit from operating activities in 2020 by \$74,066,300 (2019: \$94,587,445). This analysis assumes that all other variables remain constant.

An increase of 10% (2019: 10%) at the end of the financial year of the underlying investments' prices for Infrastructure Income Fund would have increased profit from operating activities in 2020 by \$18,837,581 (2019: \$3,577,103). This analysis assumes that all other variables remain constant.

An increase of 10% (2019: 10%) at the end of the financial year of the underlying investments' prices for Emerging Markets Fund would have increased profit from operating activities in 2020 by \$11,174,233 (2019: \$12,300,687). This analysis assumes that all other variables remain constant.

An increase of 10% (2019: 10%) at the end of the financial year of the underlying investments' prices for Infrastructure Value Fund - Unhedged would have increased profit from operating activities in 2020 by \$73,975,295 (2019: \$96,395,920). This analysis assumes that all other variables remain constant.

A decrease of 10% (2019: 10%) would have the equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(c) Credit risk

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

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

In accordance with the Funds' policies, the investment managers monitor the Funds' credit position on a daily basis and the Board of Directors reviews it on a quarterly basis.

11 Financial risk management (continued)

(c) Credit risk (continued)

The Funds determine credit risk and measure 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 2020 and 30 June 2019, all receivables, amounts due from brokers, cash and shortterm 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 Funds.

(d) Liquidity risk

Liquidity risk is the risk that the Funds will not be able to meet their financial obligations as they fall due. The risk is controlled through the Funds' investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition the Funds maintain sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

Financial liabilities of the Funds comprise, other payables and distributions payable. Other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are entirely payable on demand of unit holders.

The tables below summarises the maturity profile of the Funds' financial liabilities and gross settled derivatives based on contractual undiscounted cash flows.

	Carrying Amount \$'000	Contractual cash flow \$'000	Less than a month \$'000	1-6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
Infrastructure Value Fund - Hedged							
30 June 2020							
Non-derivative financial liabilities							
Distributions payable	2,008	2,008	-	2,008	-	-	-
Payables	3,009	3,009	-	3,009	-	-	-
Due to brokers - payable for securities purchased	1,589	1,589	-	1,589	-	-	-
Sub total	6,606	6,606	-	6,606	-	-	-
Derivative financial liabilities							
Forward foreign currency contracts							
Outflow	239,048	239,048	34,873	204,175	-	-	-
Inflow	(224,535)	(224,535)	(27,748)	(196,787)	-	-	-
Sub total	14,513	14,513	7,125	7,388	-	-	-
Total	21,119	21,119	7,125	13,994	-	-	-

11 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity analysis for financial liabilities (continued)

	Carrying Amount \$'000	Contractual cash flow \$'000	Less than a month \$'000	1-6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
Infrastructure Value Fund - Hedged							
30 June 2019							
Non-derivative financial liabilities							
Distributions payable	2,321	2,321	-	2,321	-	-	-
Payables	1,682	1,682	-	1,682	-	-	-
Sub total	4,003	4,003	-	4,003	-	-	-
Derivative financial liabilities							
Forward foreign currency contracts							
Outflow	447,706	447,706	327,653	120,053	-	-	-
Inflow	(434,244)	(434,244)	(315,932)	(118,312)	-	-	-
Sub total	13,462	13,462	11,721	1,741	-	-	-
Total	17,465	17,465	11,721	5,744	-	-	-
Infrastructure Income Fund							
30 June 2020							
Non-derivative financial liabilities							
Distributions payable	5,481	5,481	-	5,481	-	-	-
Payables	162	162	-	162	-	-	-
Due to brokers - payable for securities purchased	8,011	8,011	-	8,011	-	-	-
Net assets attributable to unitholders	192,925	192,925	192,925	-	-	-	-
Sub total	206,579	206,579	192,925	13,654	-	-	-
Derivative financial liabilities							
Outflow	78,833	78,833	-	78,833	-	-	-
Inflow	(78,390)	(78,390)	-	(78,390)	-	-	-
Sub total	443	443	-	443	-	-	-
Total	207,022	207,022	192,925	14,097	-	-	-

11 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity analysis for financial liabilities (continued)

	Carrying Amount \$'000	Contractual cash flow \$'000	Less than a month \$'000	1-6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
Infrastructure Income Fund							
30 June 2019							
Distributions payable	171	171	-	171	-	-	-
Payables	15	15	-	15	-	-	-
Due to brokers - payable for securities purchased	1,621	1,621	-	1,621	-	-	-
Net assets attributable to unitholders	38,291	38,291	38,291	-	-	-	-
Sub total	40,098	40,098	38,291	1,807	-	-	-
Derivative financial liabilities							
Outflow	29,487	29,487	-	29,487	-	-	-
Inflow	(29,242)	(29,242)	-	(29,242)	-	-	-
Sub total	245	245	-	245	-	-	-
Total	40,343	40,343	38,291	2,052	-	-	-
Emerging Markets Fund							
30 June 2020							
Non-derivative financial liabilities							
Payables	155	155	136	19	-	-	-
Sub Total	155	155	136	19	-	-	-
Total	155	155	136	19	-	-	-

11 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity analysis for financial liabilities (continued)

	Carrying Amount \$'000	Contractual cash flow \$'000	Less than a month \$'000	1-6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
Emerging Markets Fund							
30 June 2019							
Non-derivative financial liabilities							
Distributions payable	2,934	2,934	-	2,934	-	-	-
Payables	130	130	130	-	-	-	-
Due to brokers - payable for securities purchased	847	847	-	847	-	-	-
Sub total	3,911	3,911	130	3,781	-	-	-
Total	3,911	3,911	130	3,781	-	-	-
Infrastructure Value Fund - Unhedged							
30 June 2020							
Non-derivative financial liabilities							
Distributions payable	3,168	3,168	-	3,168	-	-	-
Payables	2,440	2,440	-	2,440	-	-	-
Due to brokers - payable for securities purchased	1,648	1,648	-	1,648	-	-	-
Sub Total	7,256	7,256	-	7,256	-	-	-
Derivative financial liabilities							
Forward foreign currency contracts							
Outflow	1,550	1,550	1,550	-	-	-	-
Inflow	(1,545)	(1,545)	(1,545)	-	-	-	-
Sub total	5	5	5	-	-	-	-
Total	7,261	7,261	5	7,256	-	-	-

11 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity analysis for financial liabilities (continued)

Infrastructure Value Fund - Unhedged	Carrying Amount \$'000	Contractual cash flow \$'000	Less than a month \$'000	1-6 months \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
30 June 2019							
Non-derivative financial liabilities							
Distributions payable	29,994	29,994	-	29,994	-	-	-
Payables	5,549	5,549	-	5,549	-	-	-
Sub Total	35,543	35,543	-	35,543	-	-	-
Total	35,543	35,543	-	35,543	-	-	-
Derivative financial liabilities							
Forward foreign currency contracts							
Outflow	5,551	5,551	5,551	-	-	-	-
Inflow	(5,543)	(5,543)	(5,543)	-	-	-	-
Sub total	8	8	8	-	-	-	-
Total	35,551	35,551	8	35,543	-	-	-

12 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have a right to be offset under certain circumstances in the statements of financial position are disclosed in the first three columns of the tables below:

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial liabilities \$'000	Gross amounts set off in the statements of financial position \$'000	Net amounts of financial liabilities presented in the statements of financial position \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
Infrastructure Value Fund - Hedged						
30 June 2020						
Financial assets						
Derivative financial instruments	27,843	-	27,843	-	-	27,843
Total	27,843	-	27,843	-	-	27,843
30 June 2019						
Financial assets						
Derivative financial instruments	5,257	-	5,257	-	-	5,257
Total	5,257	-	5,257	-	-	5,257
30 June 2020						
Financial liabilities						
Derivative financial instruments	(14,513)	-	(14,513)	-	-	(14,513)
Total	(14,513)	-	(14,513)	-	-	(14,513)
30 June 2019						
Financial liabilities						
Derivative financial instruments	(13,462)	-	(13,462)	-	-	(13,462)
Total	(13,462)	-	(13,462)	-	-	(13,462)

12 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial liabilities \$'000	Gross amounts set off in the statements of financial position \$'000	Net amounts of financial liabilities presented in the statements of financial position \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
Infrastructure Income Fund						
30 June 2020						
Financial assets						
Derivative financial instruments	4,486	-	4,486	-	-	4,486
Total	4,486	-	4,486	-	-	4,486
30 June 2019						
Financial assets						
Derivative financial instruments	183	-	183	-	-	183
Total	183	-	183	-	-	183
30 June 2020						
Financial liabilities						
Derivative financial instruments	(443)	-	(443)	-	-	(443)
Total	(443)	-	(443)	-	-	(443)
30 June 2019						
Financial liabilities						
Derivative financial instruments	(245)	-	(245)	-	-	(245)
Total	(245)	-	(245)	-	-	(245)
Emerging Markets Fund						

There were no derivatives within the financial assets and liabilities during the year ended 30 June 2020 and 30 June 2019.

12 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amounts of financial liabilities \$'000	Gross amounts set off in the statements of financial position \$'000	Net amounts of financial liabilities presented in the statements of financial position \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
Infrastructure Value Fund - Unhedged						
30 June 2020						
Financial liabilities						
Derivative financial instruments	(5)	-	(5)	-	-	(5)
Total	(5)	-	(5)	-	-	(5)
30 June 2019						
Financial liabilities						
Derivative financial instruments	(8)	-	(8)	-	-	(8)
Total	(8)	-	(8)	-	-	(8)

Master netting arrangement - not currently enforceable

As the Funds do not presently have the legally enforceable right to set-off, these amounts have not been offset in the statements of financial position, but have been presented separately in the above tables.

13 Fair Value Measurements

The Funds measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis.

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).

13 Fair Value Measurements (continued)

Fair value estimation

The carrying amounts of the Funds assets and liabilities at the end of each financial year approximate their fair values.

All financial assets and financial liabilities included in the statements of financial position are carried at fair value.

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

(i) Fair value in an active market (Level 1)

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

The quoted market price used for financial assets held by the Funds is the current last price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this last 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.

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

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 financial year applicable for an instrument with similar terms and conditions.

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

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

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the financial year taking into account 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.

13 Fair Value Measurements (continued)

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)(continued)

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such trusts.

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 Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

(iii) Recognised fair value measurements

The tables below sets out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2020 and 30 June 2019.

Infrastructure Value Fund - Hedged

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	679,063	-	-	679,063
Listed unit trusts	61,600	-	-	61,600
Forward foreign currency contracts	-	27,843	-	27,843
Total	740,663	27,843	-	768,506
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	14,513	-	14,513
Total	-	14,513	-	14,513
As at 30 June 2019				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	858,232	-	-	858,232
Listed unit trusts	87,643	-	-	87,643
Forward foreign currency contracts	-	5,256	-	5,256
Total	945,875	5,256	-	951,131
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	13,462	-	13,462
Total	-	13,462	-	13,462

13 Fair Value Measurements (continued)

(iii) Recognised fair value measurements (continued)

Infrastructure Income Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	163,554	-	-	163,554
Listed unit trusts	24,822	-	-	24,822
Forward foreign currency contracts	-	4,486	-	4,486
Total	188,376	4,486	-	192,862
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	443	-	443
Total	-	443	-	443
As at 30 June 2019				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	29,887	-	-	29,887
Listed unit trusts	5,884	-	-	5,884
Forward foreign currency contracts	-	183	-	183
Total	35,771	183	-	35,954
Financial liabilities				
Financial liabilities at fair value through profit and loss:				
Forward foreign currency contracts	-	245	-	245
Total	-	245	-	245
Emerging Markets Fund				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2020				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	111,742	-	-	111,742
Total	111,742	-	-	111,742

13 Fair Value Measurements (continued)

(iii) Recognised fair value measurements (continued)

Emerging Markets Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2019				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	123,007	-	-	123,007
Total	123,007	-	-	123,007
Infrastructure Value Fund - Unhedged	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2020				
Listed equities	678,111	-	-	678,111
Forward foreign currency contracts	-	-	-	-
Listed unit trusts	61,642	-	-	61,642
Total	739,753	-	-	739,753
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	5	-	5
Total	-	5	-	5
As at 30 June 2019				
Financial assets				
Financial assets at fair value through profit and loss:				
Listed equities	874,487	-	-	874,487
Listed unit trusts	89,472	-	-	89,472
Total	963,959	-	-	963,959
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	8	-	8
Total	-	8	-	8

13 Fair Value Measurements (continued)

(iv) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as Level 3 within the Funds as at 30 June 2020 and 30 June 2019.

(v) Transfers between levels

There have been no transfers between levels for the Funds for the year ended 30 June 2020 and 30 June 2019.

(vi) Fair value of financial instruments not carried at fair value

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

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

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities								
Profit/(loss) for the year	(46,564)	108,101	-	-	(19,055)	16,654	(20,531)	144,208
Increase/(decrease) in net assets attributable to unitholders	-	-	(8,452)	791	-	-	-	-
Distributions to unitholders	-	-	9,915	347	-	-	-	-
Net gains/(losses) on financial instruments at fair value through profit or loss	60,737	(82,965)	4,588	(632)	20,361	(14,646)	35,108	(121,845)
Proceeds from sale of financial instruments at fair value through profit or loss	845,372	730,108	106,450	3,946	52,604	114,972	805,053	618,613
Purchase of financial instruments at fair value through profit or loss	(706,794)	(504,486)	(268,681)	(34,409)	(62,735)	(41,438)	(614,277)	(482,369)
Net foreign exchange (gains)/losses	3,263	1,621	436	39	187	459	2,660	1,596
Net change in dividends/distributions receivable	4,160	(1,139)	(866)	(285)	(452)	275	4,151	(1,908)
Net change in interest receivable	-	-	-	-	-	1	1	-
Net change in receivables and other assets	(554)	72	(31)	(1)	4	24	170	(131)
Net change in payables and other liabilities	(70)	(117)	98	12	6	(79)	(3,259)	3,174
Net cash inflow/(outflow) from operating activities	159,550	251,195	(156,543)	(30,192)	(9,080)	76,222	209,076	161,338

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

(b) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the statements of financial position as follows:

Cash and cash equivalents	18,101	15,220	5,308	3,390	4,359	5,821	10,988	20,367
Deposits at call	-	-	-	-	-	-	-	-
	18,101	15,220	5,308	3,390	4,359	5,821	10,988	20,367

(c) Non-cash financing and investing activities

During the period, the following distribution payments satisfied by the issue of units under the distribution reinvestment plan

	9,326	27,835	836	55	3,756	10,578	20,376	19,804
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15 Auditors remuneration

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

	Infrastructure Value Fund - Hedged		Infrastructure Income Fund		Emerging Markets Fund		Infrastructure Value Fund - Unhedged	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Audit and review of financial reports	17,960	16,500	18,387	10,000	10,925	10,000	17,960	16,500
Audit of compliance plan	2,732	2,500	2,732	2,500	2,733	2,500	2,733	2,500
Total	20,692	19,000	21,119	12,500	13,658	12,500	20,693	19,000

16 Events occurring after the financial year

No significant events have occurred since the end of the financial year which would impact on the financial position of the Funds disclosed in the statements of financial position as at 30 June 2020 or on the results and cash flows of the Funds for the year ended on that date.

17 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

Directors' declaration

Legg Mason Asset Management Australia Limited presented the Directors' declaration in respect of the following Funds:

RARE Infrastructure Value Fund - Hedged
RARE Infrastructure Income Fund
RARE Emerging Markets Fund
RARE Infrastructure Value Fund - Unhedged

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 54 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 Funds' financial position as at 30 June 2020 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Q. Lupo
Director

Melbourne
23 September 2020



Independent auditor's report

To the unitholders of:

- RARE Infrastructure Value Fund – Hedged
- RARE Infrastructure Income Fund
- RARE Emerging Markets Fund
- RARE Infrastructure Value Fund – Unhedged (collectively “the Funds”)

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Funds' financial position as at 30 June 2020 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports comprise:

- the statements of financial position as at 30 June 2020
- the statements of comprehensive income for the year then ended
- the statements of changes in net assets attributable to unitholders – equity/liability for the year then ended
- the statements of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors of Legg Mason Asset Management Australia Limited (“the Responsible Entity”).

Basis for opinion

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

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

Independence

We are independent of the Funds in accordance with 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 reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2020, but does not include the financial reports and our auditor's report thereon.

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

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

If, based on the work we have performed 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 reports

The directors of the Responsible Entity of the Funds are responsible for the preparation of the financial reports that give 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 determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 reports.



A further description of our responsibilities for the audit of the financial reports 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

PricewaterhouseCoopers

Kate L Logan

Kate L Logan
Partner

Melbourne
23 September 2020