Product Disclosure Statements and Product Information

Intermediate Portfolio

Hard copies of these documents are available from your adviser free of charge.

iShares Australian Equity Index Fund
Product Disclosure Statement

Dated: 5 June 2020

iShares Australian Equity Index Fund
ARSN 089 405 363

BlackRock Investment Management (Australia) Limited
ABN 13 006 165 975
Australian Financial Services Licence No 230523

iShares Australian Equity Index Fund

Important information

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information (each of which forms part of this PDS) and persons should consider that information before making a decision about the Fund.

The information provided in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS is not an offer to any person or any place in which it is unlawful to make such an offer. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The Responsible Entity can change any terms and conditions of the offer contained in this PDS at any time. We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to investors.

Responsible Entity contact details

BlackRock Investment Management (Australia) Limited
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2 Chifley Square
Sydney New South Wales 2000
Telephone: 1300 366 100
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Email: clientservices.aus@blackrock.com
Website: www.blackrock.com/au

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to "Additional information incorporated by reference" additional information concerning the topic has been incorporated by reference forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available at www.blackrock.com. au/individual/funds-information/offer-documents. You should read this information before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. This information is available to you free of charge upon request in paper format by contacting the BlackRock Client Services Centre.

Information subject to change

Information in this PDS, as well as the terms and features of the Fund, is subject to change from time to time. We will notify you of any material changes or other significant events that affect the information in this PDS in accordance with our obligations under the Corporations Act.

Updated information that is not materially adverse can be obtained from our website at https://www.blackrock.com/au. A paper copy of any updated information will be given, or an electronic copy made available, free of charge upon request.

Where the Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at https://www.blackrock.com/au. A paper copy of this material is available free of charge upon request.

Annual report

A copy of the audited annual financial report of the Fund is generally available by the end of September from us or upon request from your Investor Directed Portfolio Service (**IDPS**), superannuation fund or master trust operator. The audited annual financial report will be made available on our website at https://www.blackrock.com/au. You may also elect to receive a hard copy of the report by contacting our Client Services Team on the telephone number shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares Australian Equity Index Fund (**Fund**). BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

2. How the iShares Australian Equity Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem from the Fund on any **Business Day**, being a day other than a Saturday or Sunday on which banks are open for general banking business in Sydney. A list of public holidays affecting the Fund is available on our website at www.blackrock.com/au.

Investor transaction requests are required to be received by 1.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the same day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within four Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

In some circumstances, such as when there is a freeze on withdrawals, investors may not be able to withdraw from the Fund within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of March, June, September and December each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

3. Benefits of investing in the iShares Australian Equity Index Fund

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns, before fees, to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

Additional information incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product.
Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment time frames, where other parts of the investor's wealth is invested and the investor's risk tolerance.

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Index related risk. In order to meet its investment objective, the Fund will seek to achieve a return that reflects the return of its index, as published by the index provider. While index providers do provide a description of what each index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, nor any guarantee that the published index will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where an index is less commonly used. During a period where an index contains incorrect constituents, a fund benchmarked to that index would have market exposure to such constituents. As such, errors may potentially result in a negative or positive performance impact to the fund and to its unitholders. Apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order, for example, to correct an error in the selection of index constituents. Where the index is rebalanced and a fund in turn rebalances its portfolio to bring it in line with the index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund in relation to the sale and purchase of assets or securities. Such institutions may also be issuers of the securities in which a fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of a fund. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

Market risk. Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can affect the value of the investments in a fund. The value of a fund will change with changes in the market value of the securities to which it is exposed.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees, as measured by the S&P/ASX 300 TR Index (**Index**).

Our investment style is based on our belief that people, leveraged by technology, are central to the consistent achievement of our clients' investment goals.

We believe that a focus on total performance management is the best way to achieve superior investment results. Through total performance management, we aim to understand; measure; forecast; and manage the three dimensions of investment performance — return, risk and cost.

We believe that full replication is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

Capturing additional returns

To overcome the impact that transaction costs and cash drag can have on relative performance, we undertake value-added strategies such as:

- **Cash-flow management:** We use share price index (SPI) futures contracts where it is cheaper than trading in physical securities, to minimise market impact and to take a patient and, therefore, less-costly approach to trading.
- **Managing Index changes**: We use strategies to sell deleted stocks at higher prices than the final Index price and to buy incoming stocks at lower prices than which they are added to the Index.
- **Anticipating Index changes:** Through our knowledge of the Australian Securities Exchange's index rules, we try to anticipate future Index additions and deletions before they are announced.
- **Enrolling in dividend-reinvestment plans:** We enrol in dividend-reinvestment plans where we think it adds significant benefit to receive shares at discounts and to gain premiums relative to the Index.
- **Taking part in initial public offerings and placements:** Judging whether to take part in floats and placements is an important part of index management. We conduct thorough analysis on when new listings and issues may enter the Index and on the prices at which they may enter, before deciding to take controlled positions in floats or placements.

To achieve its investment objective the Fund invests substantially all of its assets in units of the iShares Wholesale Australian Equity Index Fund (**Underlying Fund**), another fund managed by us which has the same investment strategy as the Fund. The Underlying Fund invests in the Australian stocks that form the Index. Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

The Fund's investment strategy aims to remain fully exposed to the Australian stock market, with cash exposure being maintained at a minimum, which may be, wherever practicable, equitised using index futures.

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, other than temporary overdrafts, which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to Australian stocks. From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 year.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product.

Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

* This material may change between the time when you read this PDS and the day when you acquire the product.

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take into account expected reduced input tax credits in respect of the GST component of the fee.

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. Buy-sell spreads may apply when your money moves in or out of the Fund. Subject to law, these may be varied at any time without prior notice.
2. Fee can be negotiated with certain "wholesale clients" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

6.2 Example of annual fees and costs

The table below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example of annual fees and costs		
Balance of $500,000 with a contribution of $5,000 during year		
Contribution Fees	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management costs	0.20%	And, for every $500,000 you have in the Fund you will be charged an estimated $1,000 each year.
EQUALS		
Cost of the Fund [1]		If you had an investment of $500,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged estimated costs of $1,000.[2] **What it costs you will depend on the fees you negotiate.**

1. Costs include management fee and estimated indirect costs.
2. Additional expenses may apply, for instance, you may incur a buy-sell spread when you move money in or out of the Fund.

Please note this is an example. The actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. Amounts assume a constant investment of $500,000 throughout the year and do not take into account any additional contributions made during the year. Management costs will also be charged in relation to additional contributions.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference

You should read the information about fees and costs before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice. Registered managed investment schemes generally do not pay tax on behalf of investors. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information incorporated by reference

You should read the information about taxation before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at https://www.blackrock.com/au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at https://www.blackrock.com/au. We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can either be deposited into the application bank account (as shown on the Fund's Application Form). **If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked**

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money in relation to the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000; as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre. We have established procedures for dealing with enquiries and complaints. If you make a complaint to us, the compliant will be acknowledged and steps will be taken to investigate your concerns. A final response will be provided within 45 days in accordance with our obligations.

BlackRock is a member of the Australian Financial Complaints Authority (**AFCA**), an independent complaint resolution body. If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers. AFCA can be contacted by:

- Telephone: 1800 931 678 (free call)
- Mail: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001
- Email: info@afca.org.au
- Website: www.afca.org.au.

For the hearing and speech impaired, AFCA can be contacted by either:

- National Relay Service: www.relayservice.com.au
- TTY/Voice Calls: 133 677 (local), or
- Speak & Listen: 1300 555 727 (local).

iShares Australian Listed Property Index Fund
Product Disclosure Statement

Dated: 5 June 2020

iShares Australian Listed Property Index Fund
ARSN 097 295 264

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The information provided in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS is not an offer to any person or any place in which it is unlawful to make such an offer. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The Responsible Entity can change any terms and conditions of the offer contained in this PDS at any time. We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to investors.

Responsible Entity contact details

BlackRock Investment Management (Australia) Limited
Level 37, Chifley Tower
2 Chifley Square
Sydney New South Wales 2000

Telephone: 1300 366 100
Facsimile: 1300 366 107
Email: clientservices.aus@blackrock.com
Website: https://www.blackrock.com/au

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to "Additional information incorporated by reference" additional information concerning the topic has been incorporated by reference and forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf. You should read this information before making an investment decision. This material may change between the time when you read this PDS and when you acquire the product. This information is available to you free of charge upon request in paper format by contacting the BlackRock Client Services Centre.

Information subject to change

Information in this PDS, as well as the terms and features of the Fund, is subject to change from time to time. We will notify you of any material changes or other significant events that affect the information in this PDS in accordance with our obligations under the Corporations Act.

Updated information that is not materially adverse can be obtained from our website at https://www.blackrock.com/au . A paper copy of any updated information will be given, or an electronic copy made available, free of charge upon request.

Where the Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at https://www.blackrock.com/au . A paper copy of this material is available free of charge upon request.

Annual report

A copy of the audited annual financial report of the Fund is generally available by the end of September from us or upon request from your Investor Directed Portfolio Service (**IDPS**), superannuation fund or master trust operator. The audited annual financial report will be made available on our website at https://www.blackrock.com/au . You may also elect to receive a hard copy of the report by contacting our Client Services Team on the telephone number shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares Australian Listed Property Index Fund (**Fund**).

BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

2. How the iShares Australian Listed Property Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem from the Fund on any **Business Day**, being a day other than a Saturday or Sunday on which banks are open for general banking business in Sydney. A list of public holidays affecting the Fund is available on our website at https://www.blackrock.com/au.

Investor transaction requests are required to be received by 1.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the same day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within four Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

In some circumstances, such as when there is a freeze on withdrawals, investors may not be able to withdraw from the Fund within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of March, June, September and December each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf.

3. Benefits of investing in the iShares Australian Listed Property Index Fund

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns, before fees, to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

Additional information incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf.

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment time frames, where other parts of the investor's wealth is invested and the investor's risk tolerance.

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Index related risk. In order to meet its investment objective, the Fund will seek to achieve a return that reflects the return of its index, as published by the index provider. While index providers do provide a description of what each index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, nor any guarantee that the published index will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where an index is less commonly used. During a period where an index contains incorrect constituents, a fund benchmarked to that index would have market exposure to such constituents. As such, errors may potentially result in a negative or positive performance impact to the fund and to its unitholders. Apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order, for example, to correct an error in the selection of index constituents. Where the index is rebalanced and a fund in turn rebalances its portfolio to bring it in line with the index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Property risk: The risk level varies between development property (higher risk) and existing property (lower risk). Property also tends to have a unique cycle, which is different to shares and other asset classes.

Particular external factors affecting property include liquidity, interest rates, diversity of direct property holdings, the quality of properties, proximity to competing properties, current and expected income and other economic conditions that may affect supply and demand.

Property exposure in the Fund may be obtained via holdings in listed property securities or via derivative contracts based on these securities. In addition to the above risks, these vehicles may be subject to refinancing risk associated with any borrowings made in order to acquire properties, may have limited financial resources and may trade less frequently and in limited volume. Listed property securities are valued daily according to their last quoted market price.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund in relation to the sale and purchase of assets or securities. Such institutions may also be issuers of the securities in which a fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of a fund. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

Market risk. Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can affect the value of the investments in a fund. The value of a fund will change with changes in the market value of the securities to which it is exposed.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees, as measured by the S&P/ASX 300 A-REIT TR Index (**Index**).

Our investment style is based on our belief that people, leveraged by technology, are central to the consistent achievement of our clients' investment goals.

We believe that a focus on total performance management is the best way to achieve superior investment results. Through total performance management, we aim to understand; measure; forecast; and manage the three dimensions of investment performance — return, risk and cost.

We believe that full replication is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

We believe that full replication is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach aims to purchase every security in the Index, while considering transaction costs.

Capturing additional returns

To overcome the impact that transaction costs and cash drag can have on relative performance, we undertake value-added strategies such as:

- **Cash-flow management:** We use the SPI Futures contract where it is cheaper than trading in physical securities, to minimise market impact and to take a patient and, therefore, less-costly approach to trading.
- **Managing index changes:** We use strategies to sell deleted stocks at higher prices than the final index price and to buy incoming stocks at lower prices than which they are added to the Index.
- **Anticipating index changes:** Through our knowledge of the Australian Securities Exchange's index rules, we try to anticipate future Benchmark Index additions and deletions before they are announced.
- **Enrolling in dividend-reinvestment plans:** We enrol in dividend-reinvestment plans where we think it adds significant benefit to receive shares at discounts and to gain premiums relative to the Index.
- **Taking part in initial public offerings and placements:** Judging whether to take part in floats and placements is an important part of index management. We conduct thorough analysis on when new listings and issues may enter the Index and on the prices at which they may enter, before deciding to take controlled positions in floats or placements.

To achieve its investment objective the Fund invests substantially all of its assets in units of the iShares Wholesale Australian Listed Property Index Fund (**Underlying Fund**), another fund managed by us that has the same investment strategy as the Fund. The Underlying Fund invests in the Australian real estate investment trusts (**REITs**) that form the Index. Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

The Fund's investment strategy aims to remain fully exposed to the Australian REIT market, with cash exposure being maintained at a minimum, which may be, wherever practicable, equitised using index futures.

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, other than temporary overdrafts, which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to Australian REITS. From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 year.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf.

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take into account expected reduced input tax credits in respect of the GST component of the fee

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. Buy-sell spreads may apply when your money moves in or out of the Fund. Subject to law, these may be varied at any time without prior notice.
2. Fee can be negotiated with certain "wholesale clients" (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

6.2 Example of annual fees and costs

The table below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example of annual fees and costs		
Balance of $500,000 with a contribution of $5,000 during year		
Contribution Fees	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management costs	0.20%	And, for every $500,000 you have in the Fund you will be charged an estimated $1,000 each year.
EQUALS		
Cost of the Fund [1]	If you had an investment of $500,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged estimated costs of $1,000.[2] **What it costs you will depend on the fees you negotiate.**	

1. Costs include management fee and estimated indirect costs.
2. Additional expenses may apply, for instance, you may incur a buy-sell spread when you move money in or out of the Fund.

Please note this is an example. The actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. Amounts assume a constant investment of $500,000 throughout the year and do not take into account any additional contributions made during the year. Management costs will also be charged in relation to additional contributions.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference

You should read the information about fees and costs before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice. Registered managed investment schemes generally do not pay tax on behalf of investors. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information incorporated by reference
You should read the information about taxation before making an important decision. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at https://www.blackrock.com/au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at https://www.blackrock.com/au . We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can be deposited into the application bank account (as shown on the Fund's Application Form).

If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money in relation to the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000; as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre. We have established procedures for dealing with enquiries and complaints. If you make a complaint to us, the compliant will be acknowledged and steps will be taken to investigate your concerns. A final response will be provided within 45 days in accordance with our obligations.

BlackRock is a member of the Australian Financial Complaints Authority (**AFCA**), an independent complaint resolution body. If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers. AFCA can be contacted by:

- Telephone: 1800 931 678 (free call)
- Mail: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001
- Email: info@afca.org.au
- Website: www.afca.org.au.

For the hearing and speech impaired, AFCA can be contacted by either:

- National Relay Service: www.relayservice.com.au
- TTY/Voice Calls: 133 677 (local), or
- Speak & Listen: 1300 555 727 (local).

iShares International Equity Index Fund
Product Disclosure Statement

Dated: 5 June 2020

iShares International Equity Index Fund
ARSN 097 295 353

BlackRock Investment Management (Australia) Limited
ABN 13 006 165 975
Australian Financial Services Licence No 230523

iShares International Equity Index Fund

Important information

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information (each of which forms part of this PDS) and persons should consider that information before making a decision about the Fund.

The information provided in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS is not an offer to any person or any place in which it is unlawful to make such an offer. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The Responsible Entity can change any terms and conditions of the offer contained in this PDS at any time. We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to investors.

Responsible Entity contact details

BlackRock Investment Management (Australia) Limited
Level 37, Chifley Tower
2 Chifley Square
Sydney New South Wales 2000
Telephone: 1300 366 100
Facsimile: 1300 366 107
Email: clientservices.aus@blackrock.com
Website: https://www.blackrock.com/au

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to "Additional information incorporated by reference" additional information concerning the topic has been incorporated by reference and forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available at www.blackrock.com.au/individual/funds-information/offer-documents. You should read this information before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. This information is available to you free of charge upon request in paper format by contacting the BlackRock Client Services Centre.

Information subject to change

Information in this PDS, as well as the terms and features of the Fund, is subject to change from time to time. We will notify you of any material changes or other significant events that affect the information in this PDS in accordance with our obligations under the Corporations Act.

Updated information that is not materially adverse can be obtained from our website at https://www.blackrock.com/au. A paper copy of any updated information will be given, or an electronic copy made available, free of charge upon request.

Where the Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at https://www.blackrock.com/au. A paper copy of this material is available free of charge upon request.

Annual report

A copy of the audited annual financial report of the Fund is generally available by the end of September from us or upon request from your Investor Directed Portfolio Service (**IDPS**), superannuation fund or master trust operator. The audited annual financial report will be made available on our website at https://www.blackrock.com/au. You may also elect to receive a hard copy of the report by contacting our Client Services Team on the telephone number shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares International Equity Index Fund (**Fund**).

BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

The investment strategy of the Fund is managed by the BlackRock Group's Global Equity Index team.

2. How the iShares International Equity Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem from the Fund on any **Business Day**, being a day other than a Saturday or Sunday on which banks are open for general banking business in Sydney (Australia) and New York (USA). A list of public holidays affecting the Fund is available on our website at https://www.blackrock.com/au.

Investor transaction requests are required to be received by 3.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the next Business Day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within six Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

In some circumstances, such as when there is a freeze on withdrawals, investors may not be able to withdraw from the Fund within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of June, each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

3. Benefits of investing in the iShares International Equity Index Fund

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns, before fees, to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Additional information incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment time frames, where other parts of the investor's wealth is invested and the investor's risk tolerance.

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Foreign investment risk. Exposure to securities or derivative instruments issued in foreign markets may include certain risks associated with:

- differences in trading, settlement and clearing procedures that may restrict trading (as a result of suspensions or daily quotas), increase default or market operational risks or require securities to be held on a beneficial basis via a depositary nominee;
- currency risk, the risk that foreign currencies change in value relative to the Australian dollar, which may affect a fund's investment returns. These movements may either add to or subtract from performance;
- countries may be subject to considerable degrees of market volatility, economic, political and social instability, which may reduce or preclude the ability to trade security exposures or negatively affect a security's value; and
- differences in accounting, financial reporting, taxation, legal, regulatory, liquidity and pricing practices that are subject to change and if so may adversely affect a fund.

Index related risk. In order to meet its investment objective, the Fund will seek to achieve a return that reflects the return of its index, as published by the index provider. While index providers do provide a description of what each index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, nor any guarantee that the published index will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where an index is less commonly used. During a period where an index contains incorrect constituents, a fund benchmarked to that index would have market exposure to such constituents. As such, errors may potentially result in a negative or positive performance impact to the fund and to its unitholders. Apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order, for example, to correct an error in the selection of index constituents. Where the index is rebalanced and a fund in turn rebalances its portfolio to bring it in line with the index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund in relation to the sale and purchase of assets or securities. Such institutions may also be issuers of the securities in which a fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of a fund. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

Market risk. Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can affect the value of the investments in a fund. The value of a fund will change with changes in the market value of the securities to which it is exposed.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees, as measured by the MSCI World ex-Australia Net TR Index (unhedged in AUD) (**Index**).

Our investment style is based on our belief that people, leveraged by technology, are central to the consistent achievement of our clients' investment goals.

We believe that a focus on total performance management is the best way to achieve superior investment results. Through total performance management, we aim to understand; measure; forecast; and manage the three dimensions of investment performance — return, risk and cost.

We believe that full replication is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach aims to purchase every security in the Index, while considering transaction costs.

To achieve its investment objective the Fund invests substantially all of its assets in units of the iShares Wholesale International Equity Index Fund (**Underlying Fund**), another fund managed by us that has the same investment strategy as the Fund. The Underlying Fund invests in the international developed market stocks that form the Index. Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

The Fund's investment strategy aims to remain fully exposed to the international developed stock market, with cash exposure being maintained at a minimum, which may be, wherever practicable, equitised using index futures.

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, other than temporary overdrafts, which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to the world's developed stock markets. From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 year.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take into account expected reduced input tax credits in respect of the GST component of the fee.

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. Buy-sell spreads may apply when your money moves in or out of the Fund. Subject to law, these may be varied at any time without prior notice.
2. Fee can be negotiated with certain "wholesale clients" (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

6.2 Example of annual fees and costs

The table below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example of annual fees and costs		
Balance of $500,000 with a contribution of $5,000 during year		
Contribution Fees	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management costs	0.20%	And, for every $500,000 you have in the Fund you will be charged an estimated $1,000 each year.
EQUALS		
Cost of the Fund [1]		If you had an investment of $500,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged estimated costs of $1,000.[2] **What it costs you will depend on the fees you negotiate.**

1. Costs include management fee and estimated indirect costs.
2. Additional expenses may apply, for instance, you may incur a buy-sell spread when you move money in or out of the Fund.

Please note this is an example. The actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. Amounts assume a constant investment of $500,000 throughout the year and do not take into account any additional contributions made during the year. Management costs will also be charged in relation to additional contributions.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference

You should read the information about fees and costs before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice. Registered managed investment schemes generally do not pay tax on behalf of investors. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information incorporated by reference

You should read the information about taxation before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at https://www.blackrock.com/au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at https://www.blackrock.com/au. We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can be deposited into the application bank account (as shown on the Fund's Application Form). **If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked.**

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money in relation to the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000; as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre. We have established procedures for dealing with enquiries and complaints. If you make a complaint to us, the compliant will be acknowledged and steps will be taken to investigate your concerns. A final response will be provided within 45 days in accordance with our obligations.

BlackRock is a member of the Australian Financial Complaints Authority (**AFCA**), an independent complaint resolution body. If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers. AFCA can be contacted by:

- Telephone: 1800 931 678 (free call)
- Mail: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001
- Email: info@afca.org.au
- Website: www.afca.org.au.

For the hearing and speech impaired, AFCA can be contacted by either:

- National Relay Service: www.relayservice.com.au
- TTY/Voice Calls: 133 677 (local), or
- Speak & Listen: 1300 555 727 (local).

iShares Hedged International Equity Index Fund (Class D Units) Product Disclosure Statement

Dated: 5 June 2020

iShares Hedged International Equity Index Fund (Class D Units)
ARSN 095 723 710

BlackRock Investment Management (Australia) Limited
ABN 13 006 165 975
Australian Financial Services Licence No 230523

iShares Hedged International Equity Index Fund (Class D Units)

Important information

This Product Disclosure Statement (PDS) is a summary of significant information and contains a number of references to important information (each of which forms part of this PDS) and persons should consider that information before making a decision about the Fund.

The information provided in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS is not an offer to any person or any place in which it is unlawful to make such an offer. Units in the Fund have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any of the states of the United States. The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940. Investment in units of the Fund by or on behalf of U.S. persons is not permitted. Units in the Fund may not at any time be offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, a U.S. person. Any issue, sale or transfer in violation of this restriction will not be binding upon the Fund and may constitute a violation of U.S. law.

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The Responsible Entity can change any terms and conditions of the offer contained in this PDS at any time. We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to investors.

Responsible Entity contact details

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Website: www.blackrock.com/au

Incorporation by Reference

The Corporations Act 2001 (Cth) (**Corporations Act**) allows us to provide certain information to you separately to this PDS. Where you see references to “Additional information incorporated by reference” additional information concerning the topic has been incorporated by reference forms part of the PDS. This information can be found in the BlackRock Additional Fund Information No. 1 document, available at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf . You should read this information before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. This information is available to you free of charge upon request in paper format by contacting the BlackRock Client Services Centre.

Information subject to change

Information in this PDS, as well as the terms and features of the Fund, is subject to change from time to time. We will notify you of any material changes or other significant events that affect the information in this PDS in accordance with our obligations under the Corporations Act.

Updated information that is not materially adverse can be obtained from our website at www.blackrock.com/au. A paper copy of any updated information will be given, or an electronic copy made available, free of charge upon request.

Where the Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at www.blackrock.com/au. A paper copy of this material is available free of charge upon request.

Annual report

A copy of the audited annual financial report of the Fund is generally available by the end of September from us or upon request from your Investor Directed Portfolio Service (**IDPS**), superannuation fund or master trust operator. The audited annual financial report will be made available on our website at www.blackrock.com/au. You may also elect to receive a hard copy of the report by contacting our Client Services Team on the telephone number shown on the right of this page.

Investing through an IDPS, superannuation fund or master trust

If you have invested through an IDPS, superannuation fund or master trust, you can use this PDS for information purposes; however, if you wish to make any change to your investment you should contact the operator of such service and complete their required documentation. The operator of such service may process unitholder transactions and requests in accordance with processes that are different to those set out in this document.

1. About BlackRock Investment Management (Australia) Limited

BlackRock Investment Management (Australia) Limited, ABN 13 006 165 975 (referred to in this PDS as **BlackRock**, **Responsible Entity**, **Manager**, **we**, **our** or **us**) is the responsible entity and the issuer of units in the iShares Hedged International Equity Index Fund (**Fund**).

BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (**BlackRock Inc**) but is not guaranteed by BlackRock Inc, or any BlackRock Inc subsidiary or associated entity (the **BlackRock Group**). Neither BlackRock nor any member of the BlackRock Group guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital. An investor in the Fund could lose all or a substantial part of their investment. In particular, the performance of the Fund will depend on the performance and market value of the assets held by the Fund.

2. How the iShares Hedged International Equity Index Fund works

2.1 The interests that members acquire

The Fund is structured as a unitised registered managed investment scheme. When you invest in the Fund, you are allocated a number of units. Each of these units represents an equal share in the net assets of the Fund. As a result, each unit has a dollar value or "unit price". The unit price will vary as the market value of assets in the Fund rises or falls.

2.2 Minimum investment amounts

When investing in the Fund you generally need a minimum amount of $500,000 or such other amount as we may determine from time to time. There is no minimum investment for subsequent applications. While there is no minimum redemption amount, we generally require a minimum balance in your Fund account of $500,000.

2.3 How investors can increase or decrease their investment

Investors can increase or decrease their investment by acquiring units (refer to section 8.1 of this PDS titled "How to invest") or redeeming all or part of their investment (refer to section 2.4 of this PDS titled "How to redeem your investment").

2.4 How to redeem your investment

Redemption requests can be made in writing (including by facsimile). You will normally be able to redeem from the Fund on any **Business Day**, being a day other than a Saturday or Sunday on which banks are open for general banking business in Sydney (Australia) and New York (USA). A list of public holidays affecting the Fund is available on our website at www.blackrock.com/au.

Investor transaction requests are required to be received by 3.00 pm (Sydney time) on any Business Day (**Transaction Cut-off Time**). Transaction requests received before this time will generally be executed on the next Business Day (**Trade Date**). Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Following receipt of a redemption request, we will deposit redemption proceeds into your nominated Australian bank account, generally within six Business Days of our having received the redemption request, although we are allowed longer periods under the Fund's constitution.

In some circumstances, such as when there is a freeze on withdrawals, investors may not be able to withdraw from the Fund within the usual period upon request.

2.5 Frequency of distributions and how they are calculated

If you hold units in the Fund at the close of business on the last day of a distribution period, you are entitled to participate in the distributable income of the Fund. Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, other income and realised gains. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected.

Distributions (if any) are generally determined at the end of June, each year. Distributions (if any) are usually paid within 21 Business Days of the end of the distribution period.

Additional information incorporated by reference

You should read the information about the acquisition and disposal of interests before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 2 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

3. Benefits of investing in the iShares Hedged International Equity Index Fund

Index tracking: The Fund is an index tracker and seeks to provide investors with similar returns, before fees, to those of its benchmark index.

Diversification: In contrast to a direct investment in a single company or bond, the Fund provides, as far as practicable and possible, exposure to all of the securities or instruments within its benchmark index.

Lower cost: As the Fund is passively managed and designed to track a particular index, the expenses of managing the Fund are generally lower compared to other forms of retail managed funds.

Additional information incorporated by reference

You should read the information about the other features and benefits of the Fund before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 3 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

4. Risks of managed investment schemes

All investments carry risk. Different strategies may carry different levels of risk, depending on the assets that make up the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk.

Returns are not guaranteed. Future returns may differ from past returns and investors may lose some or all of their investment.

The appropriate level of risk for each investor will vary depending on a range of factors including age, investment time frames, where other parts of the investor's wealth is invested and the investor's risk tolerance.

The specific investment risks of investing in the Fund include:

Derivative risk. The Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Foreign investment risk. Exposure to securities or derivative instruments issued in foreign markets may include certain risks associated with:

- differences in trading, settlement and clearing procedures that may restrict trading (as a result of suspensions or daily quotas), increase default or market operational risks or require securities to be held on a beneficial basis via a depositary nominee;
- currency risk, the risk that foreign currencies change in value relative to the Australian dollar, which may affect a fund's investment returns. These movements may either add to or subtract from performance. Passive currency management may be undertaken, however, it may not be possible to perfectly match performance of the hedging relative to that of its benchmark. Currency management can result in capital losses and investment returns are not guaranteed;
- countries may be subject to considerable degrees of market volatility, economic, political and social instability, which may reduce or preclude the ability to trade security exposures or negatively affect a security's value; and
- differences in accounting, financial reporting, taxation, legal, regulatory, liquidity and pricing practices that are subject to change and if so may adversely affect a fund.

Index related risk. In order to meet its investment objective, the Fund will seek to achieve a return that reflects the return of its index, as published by the index provider. While index providers do provide a description of what each index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, nor any guarantee that the published index will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where an index is less commonly used. During a period where an index contains incorrect constituents, a fund benchmarked to that index would have market exposure to such constituents. As such, errors may potentially result in a negative or positive performance impact to the fund and to its unitholders. Apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order, for example, to correct an error in the selection of index constituents. Where the index is rebalanced and a fund in turn rebalances its portfolio to bring it in line with the index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Liquidity risk. The Fund may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The Fund may also be exposed to other funds that may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Tracking error risk. The NAV of the Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match.

Underlying fund risk. The Fund may implement some or all of its investment strategy through an investment in an underlying fund. The Fund and underlying fund are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying fund will meet its investment objective, continue to be managed according to its current investment strategy or be open to investments in the future. Changes to the underlying fund may be made without unitholder approval. Should the underlying fund change its investment objective or investment strategy, we will review such changes with consideration to the investment objective and strategy of the Fund. Further, if the underlying fund were to be suspended, closed or terminated for any reason, the Fund would be exposed to those changes.

Other risks more generally associated with investing in a fund include:

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund in relation to the sale and purchase of assets or securities. Such institutions may also be issuers of the securities in which a fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of a fund. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way that is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Fund risk. The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

Market risk. Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can affect the value of the investments in a fund. The value of a fund will change with changes in the market value of the securities to which it is exposed.

Operational risk: The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Regulatory and business risk: Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

5. How we invest your money

Investors should consider the likely investment return, the risk, and their investment timeframe when choosing a fund in which to invest. This Fund only offers a single investment option.

The Fund aims to provide investors with the performance of the market, before fees and the cost of hedging, as measured by the MSCI World ex-Australia Net TR Index (hedged in AUD) (**Index**).

We believe that full replication is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Portfolios automatically rebalance, which minimises turnover and trading costs.

Our full-replication approach aims to purchase every security in the Index, while considering transaction costs.

A passive currency hedge is applied, which seeks to minimise the effect of currency fluctuations on returns by converting the currency exposure of the Index back to Australian dollars. This type of hedging strategy involves the forward sale of a set of currencies in amounts that correspond to the beginning of period value of the international assets in the portfolio. The hedge is then reset periodically or as required, to account for any changes in the value of the international assets in the portfolio.

To achieve its investment objective the Fund invests in units of the iShares Wholesale International Equity Index Fund (**Underlying Fund**), another fund managed by us that has the same (unhedged) investment strategy as the Fund. The Fund also invests in currency forward contacts, which are used to implement the passive currency hedge. The Underlying Fund invests in the international developed market stocks that form the Index. Derivatives, such as futures, forwards and options can be used to manage risk and return. When derivative positions are established, they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Fund or Underlying Fund.

The Fund and Underlying Fund may also hold a small allocation of cash (or cash equivalents that may include units in other BlackRock funds) for cash flow management purposes.

The Fund's investment strategy aims to remain fully exposed to the international developed stock market, with cash exposure being maintained at a minimum, which may be, wherever practicable, equitised using index futures.

While the constitution of the Fund allows the Responsible Entity to borrow, it is our intention that no borrowing arrangements will be entered into, other than temporary overdrafts, which may be used as a means of managing certain cash flows.

The Fund may be suitable for long-term investors seeking a broad exposure to the world's developed stock markets. From an investor's perspective, the Fund is considered high risk. Generally, the risk level associated with the Fund is greater if the Fund is held for a period less than the minimum suggested timeframe described above. The minimum suggested timeframe for holding investments in the Fund is 5 years.

Additional information incorporated by reference

You should read the information about how we invest your money, our consideration of labour standards or environmental, social or ethical issues, switching your investment, changes to the investment option and important information in respect of the Index provider, before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 5 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf.

6. Fees and costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au)** has a managed funds fee calculator to help you check out different fee options.

6.1 Fee table and example

The table below shows fees and other costs that you may be charged. Unless otherwise indicated, fees are inclusive of Goods and Services Tax (**GST**), any applicable stamp duty and take into account expected reduced input tax credits in respect of the GST component of the fee.

Information in the fee table can be used to compare costs between different simple managed investment schemes. Fees and costs can be paid directly from your Fund account or deducted from investment returns.

Type of fee or cost	Amount
Fees when your money moves in or out of the Fund[1]	
Establishment fee	**Nil**
Contribution fee	**Nil**
Withdrawal fee	**Nil**
Exit fee	**Nil**
Management costs	
The fees and costs for managing your investment.	
Management fee [2]	0.20% p.a.
Indirect costs (estimated) [3]	0.00% p.a.
Total management costs	**0.20% p.a.**

1. Buy-sell spreads may apply when your money moves in or out of the Fund. Subject to law, these may be varied at any time without prior notice.
2. Fee can be negotiated with certain "wholesale clients" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders.
3. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained. Indirect costs are a reasonable estimate of certain costs incurred within the Fund or any underlying fund that reduce returns.

Additional fees may be paid to a financial advisor as negotiated between you and your adviser – refer to the Statement of Advice which will be provided to you by your financial adviser which sets out the details of the fees.

6.2 Example of annual fees and costs

The table below gives an example of how the fees and costs in the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example of annual fees and costs		
Balance of $500,000 with a contribution of $5,000 during year		
Contribution Fees	Nil	For every additional $5,000 you put in you will be charged $0.
PLUS		
Management costs	0.20%	And, for every $500,000 you have in the Fund you will be charged an estimated $1,000 each year.
EQUALS		
Cost of the Fund [1]		If you had an investment of $500,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged estimated costs of $1,000.[2] **What it costs you will depend on the fees you negotiate.**

1. Costs include management fee and estimated indirect costs.
2. Additional expenses may apply, for instance, you may incur a buy-sell spread when you move money in or out of the Fund.

Please note this is an example. The actual investment balance of an investor will vary and the actual fees we charge are based on the value of the Fund, which also fluctuates. Amounts assume a constant investment of $500,000 throughout the year and do not take into account any additional contributions made during the year. Management costs will also be charged in relation to additional contributions.

There is a calculator provided by ASIC on its MoneySmart website (www.moneysmart.gov.au) which can be used to calculate the effect of fees and costs on Fund account balances.

6.3 Additional explanation of fees and costs

Can the fees and charges change?

All fees can change. The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so. Fees may vary over time due to changes to the Fund, changing economic conditions or changes in regulation. We will provide investors 30 days' notice of any proposed increase to our fees and charges.

Additional information incorporated by reference

You should read the information about fees and costs before making an important decision. This material may change between the time when you read this PDS and the day when you acquire the product. Go to section 6 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

7. How managed investment schemes are taxed

Investing in a registered managed investment scheme is likely to have tax consequences and you are strongly advised to seek professional tax advice. Registered managed investment schemes generally do not pay tax on behalf of investors. However, BlackRock may be required to withhold tax from each distribution at the relevant withholding tax rates under certain circumstances. You are assessed for tax on any income and capital gains generated by the registered investment scheme to which you are entitled.

Additional information incorporated by reference

You should read the information about taxation before making an important decision. This material may change between the time when you read this PDS and when you acquire the product. Go to section 7 of the document titled "BlackRock Additional Fund Information No. 1", which is available from our website at https://www.blackrock.com/au/individual/literature/product-disclosure-statement/blackrock-additional-fund-information-no1-en-au.pdf

8. How to invest

8.1 How to invest

To make your initial investment complete and send to us (including by facsimile) the Fund's Application Form that accompanies this PDS or is available from our website at www.blackrock.com/au or by calling our Client Services Centre (refer to page 2 of this PDS for contact details). You will normally be able to invest in the Fund on any Business Day. A list of public holidays affecting the Fund is available on our website at www.blackrock.com/au. We have absolute discretion to accept, reject, or limit any application request.

If you choose to send us your completed Fund Application Form by facsimile, you will need to send us your original Fund Application Form for our records.

Investor transaction requests are required to be received prior to the Transaction Cut-off Time. Transaction requests received before this time will generally be executed on the relevant Trade Date. Investor transaction requests received after this time or on a day when the Fund is unavailable for transactions will generally be treated as having been received the following Business Day.

Your investment amount can be deposited into the application bank account (as shown on the Fund's Application Form). If you choose to deposit your investment amount in the application bank account, you must provide us with verification from your financial institution that the money has been banked.

In order for us to be able to process your investment, you must ensure that BlackRock receives cleared money in relation to the relevant Trade Date. You may also need to complete an Investor Identification Form (which follows the Fund Application Form) for the purpose of Anti-Money Laundering and Counter-Terrorism Financing legislation.

Refer to section 2.4 of this PDS titled "How to redeem your investment" for details of the Fund's Business Day, Transaction Cut-off Time and Trade Date.

8.2 Do you have "cooling off" rights?

The Fund generally has a minimum investment of $500,000; as such cooling off rights within the meaning of the Corporations Act will not usually be available to direct investors.

8.3 Enquiries and complaints

If you have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre. We have established procedures for dealing with enquiries and complaints. If you make a complaint to us, the complaint will be acknowledged and steps will be taken to investigate your concerns. A final response will be provided within 45 days in accordance with our obligations.

BlackRock is a member of the Australian Financial Complaints Authority (**AFCA**), an independent complaint resolution body. If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers. AFCA can be contacted by:

- Telephone: 1800 931 678 (free call)
- Mail: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001
- Email: info@afca.org.au
- Website: www.afca.org.au.

For the hearing and speech impaired, AFCA can be contacted by either:

- National Relay Service: www.relayservice.com.au
- TTY/Voice Calls: 133 677 (local), or
- Speak & Listen: 1300 555 727 (local).

iShares Australian Equity ETFs
Product Disclosure Statement

Dated: 11 December 2020

iShares Core S&P/ASX 200 ETF
ASX: IOZ / ARSN: 146 083 141

iShares Edge MSCI Australia Minimum Volatility ETF
ASX: MVOL / ARSN: 614 057 662

iShares Edge MSCI Australia Multifactor ETF
ASX: AUMF / ARSN: 614 058 141

IShares S&P/ASX 20 ETF
ASX: ILC / ARSN: 146 083 641

iShares S&P/ASX Dividend Opportunities ETF
ASX: IHD / ARSN: 146 080 926

iShares S&P/ASX Small Ordinaries ETF
ASX: ISO / ARSN: 146 080 739

BlackRock Investment Management (Australia) Limited
ABN 13 006 165 975
Australian Financial Services Licence No 230523

iShares Australian Equity ETFs

iSHARES CALL CENTRE

Telephone: 1300 474 273 between 9:00 am and 5:00 pm Monday to Friday AEST
Email: ishares.australia@blackrock.com

BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED

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iSHARES AUSTRALIA CAPITAL MARKETS DESK

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Email: isharesaustralia.capitalmarkets@blackrock.com

FUND REGISTRAR

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
Telephone: 1300 474 273 (open 8:30 am to 7:00 pm Monday to Friday AEST)
Facsimile: (02) 8235 8209

1. Before you start

1.1 The issuer of this product disclosure statement

Investment in the:

- iShares Core S&P/ASX 200 ETF;
- iShares Edge MSCI Australia Minimum Volatility ETF;
- iShares Edge MSCI Australia Multifactor ETF;
- iShares S&P/ASX 20 ETF;
- iShares S&P/ASX Dividend Opportunities ETF; and
- iShares S&P/ASX Small Ordinaries ETF,

(referred to in this Product Disclosure Statement (PDS) as the Fund in the singular or the Funds collectively) is offered and managed by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL No. 230523 (referred to in this PDS as BlackRock, the Responsible Entity, the Issuer, the Manager, we, our or us). BlackRock is the manager of each Fund and acts as the responsible entity under the Corporations Act 2001 (Cth) (Corporations Act). We are the issuer of this PDS and of Units in the Funds.

BlackRock is a wholly owned subsidiary of BlackRock, Inc.® (BlackRock Inc) but is not guaranteed by BlackRock, Inc or any BlackRock, Inc subsidiary or associated entity (collectively the BlackRock Group). Neither BlackRock nor any member of the BlackRock Group guarantees the success of the Fund, the achievement of the investment objective, or the repayment of capital or particular rates of return on investment or capital. An investor in a Fund could lose all or a substantial part of their investment in that Fund. In particular, the performance of a Fund will depend on the performance and market value of the assets held by that Fund.

1.2 About this product disclosure statement

This PDS describes the main features of each Fund and is dated 11 December 2020. A copy of this PDS has been lodged with the Australian Securities and Investments Commission (ASIC) and ASX Limited (ASX). Neither ASIC nor the ASX take any responsibility for the contents of this PDS.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. It is not available in any other country. Units in each Fund have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any of the states of the United States of America (US). Each Fund is not and will not be registered as an investment company under the US Investment Company Act of 1940. Investment in Units of each Fund by or on behalf of US persons is not permitted. Units in a Fund may not at any time be offered, sold, transferred or delivered within the US or to, or for the account or benefit of, a US person. Any issue, sale or transfer in violation of this restriction will not be binding upon a Fund and may constitute a violation of US law.

The information provided in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. You should therefore assess whether the information is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

The offer in this PDS is only available to Authorised Participants who have, where required, entered into a relevant Authorised Participant Agreement (AP Agreement).

Investors who are not Authorised Participants cannot invest through this PDS but may do so through the ASX. Please consult your stockbroker or financial adviser. Investors who are not Authorised Participants may use this PDS for informational purposes only and may obtain further information in relation to each Fund by contacting the iShares Call Centre (refer to page 3 of this PDS for contact details).

If any part of this PDS is established to be invalid or unenforceable under the law, it is excluded so that it does not in any way affect the validity or enforceability of the remaining parts.

The offer or invitation to subscribe for Units in a Fund under this PDS is subject to the terms and conditions described in this PDS. We reserve the right to outsource any or all investment, management and administration functions, including to related parties, without notice to Unitholders. We reserve the right to accept or decline Unit creation requests in full or in part and reserve the right to change these terms and conditions.

If you have received this PDS electronically, we can provide you with a paper copy free of charge upon request by contacting the iShares Call Centre (refer to page 3 of this PDS for contact details).

1.3 Changes to this product disclosure statement and access to additional information

Information contained in this PDS is current as at the date of this PDS. Certain information in this PDS, as well as the terms and features of each Fund, is subject to change from time to time. We will notify you of any material changes or other significant events that affect the information in this PDS (and may issue a supplementary or replacement PDS) in accordance with our obligations under the Corporations Act.

Updated information that is not materially adverse can be obtained from our website at www.blackrock.com.au. A paper copy of any updated information will be given, or an electronic copy made available, free of charge upon request.

Where a Fund is subject to the continuous disclosure requirements of the Corporations Act, we will satisfy our obligations by disclosing material information regarding the Fund on our website at www.blackrock.com.au. A paper copy of this material will be available free of charge upon request. This information will also be released to the ASX via the ASX Markets Announcements Platform (asx.com.au).

1.4 Need help?

If you have questions about or need help investing, we recommend you speak to a licensed financial adviser. ASIC can help you check if a financial adviser is licensed. They have a website at www.asic.gov.au as well as a help line you can call on 1300 300 630.

Should you require general assistance with respect to an iShares ETF, please call the iShares Call Centre (refer to page 3 of this PDS for contact details). Alternatively, information on the different iShares ETFs quoted on ASX is available at www.blackrock.com.au or from your financial adviser.

2. About BlackRock and iShares

2.1 About BlackRock

BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, our clients turn to us for the solutions they need when planning for their most important goals. As of 30 September 2020, the firm managed approximately US$7.81 trillion in assets on behalf of investors worldwide.

For additional information on BlackRock, please visit www.blackrock.com

2.2 About iShares

iShares unlocks opportunity across markets to meet the evolving needs of investors. With more than twenty years of experience, a global line-up of 900+ exchange traded funds (ETFs) and US$2.32 trillion in assets under management as of 30 September 2020, iShares continues to drive progress for the financial industry. iShares funds are powered by the expert portfolio and risk management of BlackRock, trusted to manage more money than any other investment firm (based on USD$7.81 trillion in AUM as of 30 September 2020).

3. About the iShares Core S&P/ASX 200 ETF

The information in section 3 of this PDS relates solely to the iShares Core S&P/ASX 200 ETF (referred to in this section 3 of the PDS as the Fund).

3.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses.

The index is designed to measure the performance of the 200 largest Australian securities listed on the ASX.

3.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX 200 Total Return Index (referred to in this section 3 of the PDS as the Index).

We believe that a full replication investment strategy is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

3.3 What does the Fund invest in?

The Fund generally invests in the Australian equity securities that form the Index.

Generally, the Fund may also hold a small allocation of cash (or cash equivalents, that may include other BlackRock Group funds) for cash flow management purposes.

3.4 About the Index

The Index is recognised as the institutional investable benchmark in Australia. Index constituents are drawn from eligible companies listed on the Australian Securities Exchange. The Index is designed to measure the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalisation. Representative, liquid, and tradable, it is widely considered Australia's preeminent benchmark index.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a "float factor" called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances quarterly in March, June, September and December. The Index may undergo periodic unscheduled rebalances at other times.

4. About the iShares Edge MSCI Australia Minimum Volatility ETF

The information in section 4 of this PDS relates solely to the iShares Edge MSCI Australia Minimum Volatility ETF (referred to in this section 4 of the PDS as the Fund).

4.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses.

The index is designed to measure the performance of Australian equities that, in aggregate, have lower volatility characteristics relative to the broader Australian equity market.

4.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the MSCI Australia IMI Select Minimum Volatility Index (referred to in this section 4 of the PDS as the Index).

We believe that an optimisation investment strategy is the most appropriate investment strategy to track the performance of the Index as it takes into account liquidity and transaction cost impact and overall risk relative to the Index.

Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Index. The securities selected are expected to have, in aggregate, investment characteristics (based on factors such as market capitalisation and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Index. Therefore, the securities to which the Fund is exposed may or may not include all of the securities in its Index and the weighting of such securities may differ to the weighting of securities in the Index.

4.3 What do the Funds invest in?

The Fund generally invests in the Australian equity securities that form the Index.

The Fund may have limited exposure to securities that are not constituents of the Index, including index futures contracts, where such securities provide similar performance (with matching risk profile) to Index securities. However, from time to time the Fund may hold all constituents of the Index.

Generally, the Fund may also hold a small allocation of cash (or cash equivalents) for cash flow management purposes and may also invest in index futures contracts for cash equitisation purposes.

4.4 About the Index

The Index aims to reflect the performance characteristics of a subset of securities within the MSCI Australia IMI Index (referred to in this section 4 of the PDS as the Parent Index).

The constituents of the Index are selected using a minimum volatility strategy that optimises the Parent Index using the Barra multi-factor equity model (referred to in this section 4 of the PDS as the Model).

The Model estimates the risk profile and expected volatility of each constituent and the correlation between all constituents in the Parent Index. Using the Model, the minimum volatility strategy aims to select a subset of constituents from the Parent Index with the lowest absolute volatility of returns, subject to certain risk diversification constraints, for example, minimum and maximum constituent and sector weights relative to the Parent Index. Volatility of returns measures the movements in the daily price of the Parent Index constituents over a period of time.

Due to the Model being applied to the Parent Index, the Index will comprise a smaller number of securities with different weightings compared to the Parent Index and will, therefore, have a different performance and risk profile to the Parent Index. The diversification constraints of the Index relative to its Parent Index will limit to some extent the divergence of the Index from the Parent Index.

The Parent Index is designed to measure the performance of the large-, mid- and small-capitalisation segments of the Australian market. The Parent Index includes approximately 220 constituents and covers approximately 99% of the free float-adjusted market capitalisation in Australia.

The Index rebalances semi-annually in May and November, when the Model is applied to the Parent Index. The Index may also be updated in February and August, to take into account changes to the Parent Index. The Index may undergo periodic unscheduled rebalances at other times.

5. About the iShares Edge MSCI Australia Multifactor ETF

The information in section 5 of this PDS relates solely to the iShares Edge MSCI Australia Multifactor ETF (referred to in this section 5 of the PDS as the Fund).

5.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses.

The index is designed to measure the performance of Australian equities that have favourable exposure to four target style factors subject to constraints.

5.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the MSCI Australia IMI Diversified Multiple-Factor Index (referred to in this section 5 of the PDS as the Index).

We believe that an optimisation investment strategy is the most appropriate investment strategy to track the performance of the Index as it takes into account liquidity and transaction cost impact and overall risk relative to the Index.

Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Index. The securities selected are expected to have, in aggregate, investment characteristics (based on factors such as market capitalisation and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Index. Therefore, the securities to which the Fund is exposed may or may not include all of the securities in its Index and the weighting of such securities may differ to the weighting of securities in the Index.

5.3 What do the Funds invest in?

The Fund generally invests in the Australian equity securities that form the Index.

The Fund may have limited exposure to securities that are not constituents of the Index, including derivatives, where such securities provide similar performance (with matching risk profile) to Index securities. However, from time to time the Fund may be exposed to all constituents of the Index.

Generally, the Fund may also hold a small allocation of cash (or cash equivalents, that may include other BlackRock Group funds) for cash flow management purposes.

5.4 About the Index

The Index aims to reflect the performance characteristics of a subset of equity securities within the MSCI Australia IMI Index (referred to in this section 5 of the PDS as the Parent Index), which are selected and weighted on account of their higher aggregate exposure to four "style" factors compared to other securities within the Australian Parent Index:

- Value: Companies are scored based on three main equally weighted indicators of whether equity securities of a company provide good value, namely:
  - the forward share price of an equity relative to estimated future earnings (based on a consensus of analysts' views published by an industry recognised third party source);
  - the price of an equity relative to the book value (i.e. the value of shareholder equity on the balance sheet) of the company; and
  - enterprise value (a measure of a company's value, incorporating debt and equity) of a company relative to its operating cash flow (i.e. a measure of the amount of cash generated by a company's normal business operations). Due to their capital structure, enterprise value is not used as an indicator of good value for financial sector companies.
- Momentum: Companies are given a higher momentum score if their share prices have outperformed the market in the last 2 years and have increased over the last 6 months and last 12 months (using data from one month prior to each application of the momentum factor to the Australian Parent Index).
- Size: Companies have a higher size score if they have lower market capitalisation than other companies.
- Quality: Companies are scored on the basis of three main equally weighted indicators of whether a company is demonstrating high quality characteristics which are high percentage of company earnings allocated to shareholders; low levels of debt; and low year on year earnings variability.

The constituents of the Index are selected from the Parent Index using the Barra multi-factor equity model (Model) to maximise the exposure to the four targeted style factors while maintaining market risk similar to the Parent Index. The Model is subject to certain risk diversification constraints, for example, minimum and maximum constituent and sector weights relative to the Parent Index and the anticipated volatility of the Index may not exceed the anticipated volatility of the Parent Index. In addition, the Model ensures that the exposure to style factors other than the chosen four factors that are present in the Parent Index (e.g. volatility) is restricted in the Index. Turnover in the Index is also limited to 20% at each application of the Model to the Parent Index.

Due to the Model being applied to the Parent Index, the Index will comprise a smaller number of securities with different weightings compared to the Parent Index and will, therefore, have a different performance and risk profile to the Parent Index. The diversification constraints of the Index relative to its Parent Index will limit to some extent the divergence of the Index from the Parent Index.

The Parent Index is designed to measure the performance of the large-, mid- and small-capitalisation segments of the Australian market. The Parent Index includes approx. 220 constituents and covers approximately 99% of the free float-adjusted market capitalisation in Australia

The Index rebalances semi-annually in May and November, when the Model is applied to the Parent Index. The Index may also be updated in February and August, to take into account changes to the Parent Index. The Index may undergo periodic unscheduled rebalances at other times.

6. About the iShares S&P/ASX 20 ETF

The information in section 6 of this PDS relates solely to the iShares S&P/ASX 20 ETF (referred to in this section 6 of the PDS as the Fund).

6.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses.

The index is designed to measure the performance of the 20 largest Australian securities listed on the ASX.

6.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX 20 Total Return Index (referred to in this section 6 of the PDS as the Index).

We believe that a full replication investment strategy is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

6.3 What does the Fund invest in?

The Fund generally invests in the Australian equity securities that form the Index.

Generally, the Fund may also hold a small allocation of cash (or cash equivalents, that may include other BlackRock Group funds) for cash flow management purposes.

6.4 About the Index

The Index is designed to measure actively traded and highly liquid securities that are among the 20 largest securities listed on the ASX. The Index is the narrowest market capitalisation-based index in the S&P/ASX Index series.

The Index is designed as a highly liquid and tradable index whose total market capitalisation is large enough to approximate the market segment it is capturing, while keeping the number of stocks at a minimum. This creates a cost-effective, easily replicable trading instrument that provides an appropriate barometer of the market's performance.

The fixed number of securities also ensures minimum turnover as changes are made due to corporate activity or a reduction in a security's size or liquidity that makes it ineligible for inclusion in the Index.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a "float factor" called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor.

Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances quarterly in March, June, September and December. The Index may undergo periodic unscheduled rebalances at other times.

7. About the iShares S&P/ASX Dividend Opportunities ETF

The information in section 7 of this PDS relates solely to the iShares S&P/ASX Dividend Opportunities ETF (referred to in this section 7 of the PDS as the Fund).

7.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses.

The index is designed to measure the performance of 50 ASX listed stocks that offer high dividend yields while meeting diversification, stability and tradability requirements.

7.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX Dividend Opportunities Total Return Index (referred to in this section 7 of the PDS as the Index).

We believe that a full replication investment strategy is the most appropriate investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

7.3 What does the Fund invest in?

The Fund generally invests in the Australian equity securities that form the Index.

Generally, the Fund may also hold a small allocation of cash (or cash equivalents, that may include other BlackRock Group funds) for cash flow management purposes.

7.4 About the Index

The Index offers exposure to 50 high yielding common stocks from the Australian equity market. The Index is designed to serve as a benchmark for income ("yield") seeking investors investing in the Australian equity market. The Index seeks to provide exposure to high yielding common stocks from Australia while meeting diversification, stability and tradability requirements.

The Index construction methodology employs a yield driven weighting scheme while providing diversification across individual stocks and sectors. S&P calculates the Index on both a price and total return basis.

The initial universe of securities is drawn from the S&P/ASX 300 Index. The universe is then narrowed down to an "investible universe" based on the following criteria:

- Market capitalisation: stocks must have a free-float market capitalisation of above $AUD500 million as of the rebalancing reference date;
- Average daily volume: stocks must have a minimum six month average daily value traded of $AUD2 million as of the rebalancing reference date;
- Exchange listing: stocks must be listed on the ASX; and
- REITS: stocks that are classified in the A-REIT sector are excluded from the universe.

Stability criteria are also employed. The investable universe is screened for two stability factors to form the "selection universe" from which Index constituents are ultimately selected:

- Dividend stability: stocks must have stable or positive dividend growth over the last three years. For existing Index constituents negative dividend growth is permitted as long as any such negative growth does not exceed 5% over the last three years; and
- Momentum: stocks must have the highest Momentum Scores, ranked in the top 90% of the investable universe. The "Momentum Score" is defined as the stock's 12-month price change, excluding the most recent month, divided by the standard deviation of the stock's daily price returns for the same period.

With respect to constituent selection, all stocks in the selection universe are first sorted on the basis of annual dividend yield as of the rebalancing reference date. The 50 highest yielding stocks are selected to form the Index, subject to a 20 stock buffer requirement for current Index constituents. If a current constituent is among the top 70 in the sorting, it remains in the Index. If not, the stock is replaced by the next largest stock that is not already an Index constituent. Index constituents are weighted in proportion to the stocks' total dividend (dividend yield multiplied by market capitalisation) subject to the following criteria:

- no single sector can have a weight of more than 30% of the Index or more than S&P/ASX 300 Index sector weight minus 10%, whichever is higher, as of each semi-annual rebalancing; and
- no single stock can have a weight of more than 10% of the Index as of each semi-annual rebalancing.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a "float factor" called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances semi-annually in January and July. The Index may undergo periodic unscheduled rebalances at other times.

8. About the iShares S&P/ASX Small Ordinaries ETF

The information in section 8 of this PDS relates solely to the iShares S&P/ASX Small Ordinaries ETF (referred to in this section 8 of the PDS as the Fund).

8.1 Investment objective

The Fund aims to provide investors with the performance of an index, before fees and expenses.

The index is designed to measure the performance of small-capitalisation Australian equities included in the S&P/ASX 300 index, but not in the S&P/ASX 100 index.

8.2 Investment strategy

The Fund seeks to achieve its objective by tracking the performance of the S&P/ASX Small Ordinaries Total Return Index (referred to in this section 8 of the PDS as the Index).

We will generally implement a full replication investment strategy to track the performance of the Index as risk relative to the Index is minimised. Our full-replication approach normally aims to purchase every security in the Index, while considering transaction costs.

However, where full replication is not possible, due to liquidity and transaction cost considerations, an optimisation investment strategy may be used.

Optimisation is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalisation and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures, similar to those of the Index. Therefore, the Fund may or may not hold all of the securities in the Index and the weighting of the securities held by the Fund may differ to the weighting of securities in the Index.

8.3 What does the Fund invest in?

The Fund generally invests in the Australian equity securities that form the Index.

The Fund may have limited exposure to securities that are not constituents of the Index, including derivatives, where such securities provide similar performance (with matching risk profile) to Index securities. However, from time to time the Fund may be exposed to all constituents of the Index.

Generally, the Fund may also hold a small allocation of cash (or cash equivalents, that may include other BlackRock Group funds) for cash flow management purposes.

8.4 About the Index

The Index is used as an institutional benchmark for small capitalisation Australian equity portfolios. The Index is comprised of companies included in the S&P/ASX 300 Index, but not in the S&P/ASX 100 Index.

The S&P/ASX Index series is calculated using a base-weighted aggregate methodology. This means that the level of an index reflects the total market value of all the component stocks relative to a particular base period.

All issues in the Index are assigned a “float factor” called an Investable Weight Factor (IWF). The IWF ranges between 0 and 1 and is an adjustment factor that accounts for the publicly available shares of a company. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after IWF adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values.

On any given day, the value of the Index is the quotient of the total available market capitalisation of index constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents’ share capital after the base date. This includes additions and deletions to the Index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor’s time series is, in effect, a chronological summary of all changes affecting the base capital of the Index. The divisor is adjusted such that the value of the Index at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

The Index rebalances quarterly in March, June, September and December. As the components of the Index are derived from the components of the S&P/ASX 300 Index and S&P/ASX 100 Index, the Index is also subject to the rebalancing behaviour of these two indices. The Index may undergo periodic unscheduled rebalances at other times.

9. Additional information about the Funds

9.1 Use of derivatives

The Funds may use derivatives, such as futures, forwards, options and swap contracts, to manage risk and return. When derivative positions are established they will always be backed by cash holdings and/or underlying assets. Derivative securities will not be used to gear the Funds.

Each Fund's exposure to over the counter (OTC) derivatives (excluding any collateral held in respect of any such OTC derivative) is not expected, in aggregate, to exceed 5% of the net asset value (NAV) of the Fund.

9.2 Borrowing

While each Fund's constitution allows the Responsible Entity to borrow on behalf of the Fund, it is our intention that no borrowing arrangements will be entered into by the Funds other than temporary overdrafts, which may be used as a means of managing certain cash flows.

9.3 Additional information about the Index

BlackRock has no present intention to change the Index adopted by each Fund. Notice of any such change will be provided to Unitholders in accordance with our obligations under the Fund's constitution and all applicable law.

Information relating to the past performance of each Index can be found on our website at www.blackrock.com.au. It is important to note that past performance is not a reliable indicator of future performance.

S&P Dow Jones Indices LLC (S&P) is the provider of the index for the iShares Core S&P/ASX 200 ETF, iShares S&P/ASX 20 ETF, iShares S&P/ASX Dividend Opportunities ETF and iShares S&P/ASX Small Ordinaries ETF. S&P is not a related body corporate of BlackRock.

Further details regarding the Index of the aforementioned Funds is available on the index provider's website at spdji.com.

MSCI Inc. (MSCI) is the provider of the index for the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF. MSCI is not a related body corporate of BlackRock.

The Parent Index for the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF is based on the MSCI Global Investable Market Indexes (GIMI) Methodology, a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The Parent Index is generally reviewed quarterly, in February, May, August and November, with the objective of reflecting changes in the underlying equity market in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the Parent Index is rebalanced and the large, mid and small capitalisation cut-off points are recalculated.

Further details regarding the Index of the aforementioned Funds is (including information on the Model) and the Parent Index is available on the index provider's website at www.msci.com.

9.4 Rebalancing the Funds

Each Fund will typically rebalance its portfolio in line with the scheduled rebalance of its Index. The Funds may, however, undergo periodic unscheduled rebalances.

9.5 Fund performance and size

Updated performance information is available from our website at www.blackrock.com.au.

Past performance is not a reliable indicator of future performance.

9.6 Labour standards, environmental, social or ethical considerations

As each Fund aims to track the performance of its Index, investment decisions are independent of labour standards or environmental, social or ethical considerations.

Investment Stewardship

The BlackRock Group's Investment Stewardship Team, a centralised resource for all portfolio managers, lead a programme focused on protecting and enhancing the economic value of companies in which the BlackRock Group invests on behalf of clients. The program includes providing specialist insight on social, environmental and governance considerations to all investment strategies, whether indexed or actively managed.

The Investment Stewardship Team does this through engagement with boards and management of investee companies and through voting at shareholder meetings.

The BlackRock Group's overarching approach to investment stewardship is set out in the BlackRock Group's Investment Stewardship Corporate Governance and Engagement Principles. Voting is carried out in accordance with our market-specific voting guidelines. These documents are available on our website at www.blackrock.com/corporate/en-us/about-us/investmen t-stewardship.

9.7 Date of first quotation

Units of the Funds commenced quotation on ASX on:

	Commencement of quotation
iShares Core S&P/ASX 200 ETF	9 December 2010
iShares Edge MSCI Australia Minimum Volatility ETF	14 October 2016
iShares Edge MSCI Australia Multifactor ETF	14 October 2016
iShares S&P/ASX 20 ETF	9 December 2010
iShares S&P/ASX Dividend Opportunities ETF	9 December 2010
iShares S&P/ASX Small Ordinaries ETF	9 December 2010

9.8 Announcements to ASX

All announcements (including continuous disclosure notices and distribution information) will be made to ASX via the ASX Market Announcements Platform (asx.com.au).

9.9 Securities lending

The Funds do not currently participate in a securities lending program for the lending of securities held within each Fund's portfolio. Should a Fund commence securities lending we will notify Unitholders of this change.

9.10 Additional information

The following information can be obtained from our website at www.blackrock.com.au/ishares:

- each Fund's last calculated NAV;
- each Fund's last calculated NAV per Unit (NAV Price). The NAV Price is that which is applied to a Unit creation or redemption request received prior to the close of trading on any Business Day. Refer to the section of this PDS titled "Processing of Unit creations and redemptions" for further information on the calculation of the NAV Price and to the Operating Procedures for details of each Fund's Business Day;
- the performance of each Fund compared to the performance of its Index;
- daily underlying holdings of each Fund, including the name and percentage composition of each asset by value relative to NAV as at the close of the previous trading day;
- a copy of the latest PDS;
- copies of each Fund's Annual and Semi Annual Financial Report (the financial year end for each Fund is 30 June); and
- details of each Fund's distributions (if declared).

9.11 Benefits of iShares

iShares ETFs are managed funds listed or quoted on exchanges (including ASX) providing you with the opportunity to gain exposure to a diversified portfolio of assets in a single transaction.

The significant benefits of investing in the Funds include:

- low cost access to diversified portfolios of Australian shares;
- access to market capitalisation weighted, high dividend, minimum volatility and multiple-factor exposures; and
- benchmarked to institutional-quality indices provided by leading index providers.

Other benefits of investing in iShares ETFs generally include:

- Diversification: In contrast to a direct investment in a single company or bond, an iShares ETF provides, as far as possible and practicable, exposure to all of the securities or instruments within the index that the particular iShares ETF seeks to track.
- Access global markets: iShares ETFs let you achieve international diversification by investing in overseas equity and bond markets. With iShares ETFs you can gain exposure by asset class, market capitalisation, country and sector.
- Liquidity and transparency: Each iShares ETF seeks investment results that correspond generally to the performance (before fees and expenses) of a particular index. As a traded security, an iShares ETF enables you to enter and exit your holding on the ASX. You can easily track performance and trade during ASX trading hours (subject to ASX rules).
- Managing risk: Investing in an iShares ETF can assist you in establishing a portfolio appropriate to your investment needs and risk profile.
- Lower cost: As each iShares ETF is passively managed and designed to track the performance of a particular index, the expenses of managing an iShares ETF are generally lower compared to other forms of retail managed funds. However, brokerage or adviser fees may still apply when buying or selling units of an iShares ETF.
- Receipt of income: You will generally receive income from your investment in the form of distributions. Distributions may include dividends, coupons and other income. There may be years in which no distributions are made.
- Accessibility: iShares ETFs can offer a cost-effective way to gain exposure to a diversified portfolio of securities. They can be less costly than purchasing a large number of individual securities as there are less trading costs and they offer lower thresholds than an investor might otherwise be able to afford.

10. About the AQUA Rules

Each Fund is quoted on the ASX under the AQUA Rules. The AQUA Rules have been designed to offer greater flexibility and are specifically designed for managed funds, ETFs and structured products.

As most investors are more familiar with the ASX Listing Rules, it is important to note the main differences between the AQUA Rules and the ASX Listing Rules, which are set out below.

ASX Listing Rules	ASX AQUA Rules
Control	
A person: ► controls the value of its own securities and the business it runs, ► the value of those securities is directly influenced by the equity issuer's performance and conduct. e.g. the management and board generally control the fate of the business and, therefore, have direct influence over the share price.	A person: ► does not control the value of the assets underlying its products, but ► offers products that give investors exposure to the underlying assets – such as shares, indices, currencies or commodities. The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. e.g. A managed fund issuer does not control the value of the shares it invests in.
Continuous disclosure	
Products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act. There is, however, still a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide ASX with information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. In addition, issuers of products quoted under the AQUA Rules must disclose information about: ► the Net Tangible Assets or the NAV of the funds; ► dividends, distributions and other disbursements; and ► any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act must be disclosed to ASX via the ASX Company Announcement Platform at the same time it is disclosed to ASIC.
Periodic disclosure	
Products under the ASX Listing Rules are required to disclose half-yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules.	Products quoted under the AQUA Rules are not required to disclose half-yearly and annual financial information or annual reports under the AQUA Rules. However, because the Fund is a registered managed investment scheme, we are still required to prepare financial reports under Chapter 2M of the Corporations Act. These reports will be made available on our website at www.blackrock.com.au.

ASX Listing Rules	ASX AQUA Rules
Corporate control	
Requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issuers, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and schemes. The responsible entity of a listed scheme may be replaced by a resolution of members holding a majority of the votes cast on the resolution.	Certain requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issuers, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. Issuers of products quoted under the AQUA Rules are subject to general requirement to provide the ASX with any information concerning itself that may lead to the establishment of a false market or materially affect the price of its products. The responsible entity of an unlisted scheme being admitted to Trading Status on ASX or quoted under the AQUA Rules may only be replaced by a resolution of members holding a majority of votes that are eligible to be cast on the resolution.
Related party transactions	
Chapter 10 of the ASX Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the ASX Listing Rules does not apply to AQUA products. Unlisted schemes being admitted to Trading Status on ASX or quoted under the AQUA Rules remain subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
Auditor rotation	
There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	Issuers of products under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act. The responsible entity of an unlisted scheme being admitted to Trading Status on ASX or quoted under the AQUA Rules will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the Corporations Act.
Disclosure	
Entities admitted under the ASX Listing Rules are subject to the requirements of the Corporations Act in relation to the issue of a PDS.	Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act.

Source: ASX Rules Framework

11. Fund risks

11.1 What are the risks of investing?

Before you make an investment decision, it is important to identify your investment objectives and the level of risk that you are prepared to accept. This may be influenced by:

- the timeframe over which you are expecting a return on your investment and your need for regular income versus long-term capital growth;
- your level of comfort with volatility in returns; or
- the general and specific risks associated with investing in particular funds.

11.2 General risks

All investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns.

The value of your investment will fluctuate with the value of the underlying investments in a Fund. Investment risk may also result in loss of income or capital invested and possible delays in repayment. You could receive back less than you initially invested and there is no guarantee that you will receive any income.

11.3 What about the specific risks of the Funds?

Specific risks of investing in the Funds may include, but are not limited to:

Derivative risk. The Funds may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement (including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Equity security risk. Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Factor investing risk. Regular index tracking ETFs generally represent a passively managed, diversified portfolio that delivers the general performance trend of the relevant market by tracking standard market indices. The iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF, while still passively managed, are structured to track an index which seeks to deliver a specific investment outcome. There is no guarantee that the intended investment outcome of each index will be achieved.

While the index of the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF selects securities that are components of its parent index, each index will look and behave differently to its parent index. Each index is likely to have fewer constituents, country exposures and sector exposures and in different weightings from its parent index. Each index is likely to perform differently and have a different risk and return profile from that of its parent index. The iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF may therefore, in different market conditions, provide different returns than a fund tracking the parent index. Such returns may include both positive and negative returns.

Additionally, the iShares Edge MSCI Australia Multifactor ETF may be more exposed to factor related market movements, both positive and negative as a result of tracking its index.

Index methodology risk. The Index of the iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF implements a Model, which seeks to create an index consisting of securities with certain characteristics. There is no guarantee that the Model used by each Index will be successful in achieving its intended outcome. For example, there is no guarantee that the Model used by the MSCI Australia IMI Select Minimum Volatility Index will be fully successful in estimating the expected volatility of the constituents of the Parent Index or that the constituents of the MSCI Australia IMI Select Minimum Volatility Index will have lower volatility than that of the Parent Index.

Each Index is constructed with the use of a Model, which may rely on various sources of information to assess the criteria of issuers to be included in the Index (or its parent index), including information that may be based on assumptions and estimates. There can no assurance that the Model used in each Index's calculation methodology or the sources of information will provide an accurate assessment of included issuers.

Liquidity risk. The Funds may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair a fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Small cap securities risk. The iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF and iShares S&P/ASX Small Ordinaries Index may may be exposed to securities of smaller capitalisation companies. Smaller capitalisation companies may, from time to time, and especially in falling markets, become less liquid and experience short-term price volatility. They may also be less financially secure than larger, more established companies and depend on a small number of key personnel, which increases the risk of the company's failure if a product fails, management changes or if there are other adverse developments.

11.4 Risks of investing in ETFs and managed funds

The risks of investing in ETFs and more generally managed investment schemes may include, but are not limited to:

Conflicts of interest risk. Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold over-the counter derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way which is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients, which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Dealing risk. There may be instances where the Units of each Fund will not be widely held. Accordingly, any investor buying Units in small numbers may not necessarily be able to find other buyers should that investor wish to sell. While this risk cannot be entirely removed in order to address such dealing risk, each Fund has been appointed one or more market maker.

Counterparty risk. Institutions, such as brokerage firms, banks, and broker-dealers, may enter into transactions with the manager of a fund in relation to the sale and purchase of assets or securities. Such institutions may also be issuers of the securities in which a fund invests. Bankruptcy, fraud, regulatory sanction or a refusal to complete a transaction at one of these institutions could significantly impair the operational capabilities or the capital position of a fund. While the BlackRock Group uses reasonable efforts to mitigate such risks, there can be no guarantee that transactions between such counterparties will always be completed in the manner contemplated by, and favourable to, the relevant fund.

Fund risk. The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. There can be no assurance that the distribution yield of a fund is the same as that of its index due to factors such as expenses incurred by the fund. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Index related risk. In order to meet their investment objective, the Funds will seek to achieve a return that reflects the return of its index, as published by the index provider. While index providers do provide a description of what each index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their indices, nor any guarantee that the published index will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where an index is less commonly used. During a period where an index contains incorrect constituents, a fund benchmarked to that index would have market exposure to such constituents. As such, errors may potentially result in a negative or positive performance impact to the fund and to its unitholders. Apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order, for example, to correct an error in the selection of index constituents. Where the index is rebalanced and a fund in turn rebalances its portfolio to bring it in line with the index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne by the fund and, by extension, the fund's unitholders. Therefore, errors and additional ad hoc rebalances carried out by an index provider may increase the costs and market exposure risk of a fund.

Individual investment risk. Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

Market risk. Economic, technological, political or legislative conditions and even market sentiment can (and do) change and this can affect the value of the investments in a fund. The value of a fund will change with changes in the market value of the securities to which it is exposed.

Market trading risk. The units of ETFs (such as the Funds) may trade on securities exchanges in the secondary market, like the ASX. Risks associated with such trading activity may include the following:

- Secondary market trading risk. While the unit creation/redemption feature of an ETF is designed to make it likely that units of the ETF will trade close to their NAV in the secondary market, at times when the ETF does not accept orders to create or redeem units (such as when a Fund suspends trading in accordance with the terms of its constitution) or if there are disruptions to unit creation or redemption processes, units of the ETF may trade in the secondary market with more significant premiums or discounts than might otherwise be experienced.
- Settlement risk. The Funds may be exposed to settlement risk, as the Funds are reliant on the operation of CHESS, including for Unit creations and redemptions. The Funds are exposed to the extent that there is a risk that Authorised Participants may fail to fulfil their settlement obligations. The risk is partly mitigated as participants in CHESS are subject to rules of participation, which include sanctions if there is a failure to

meet their obligations. Where trading in relation to a security is suspended, there may be a delay in settlement in relation to that security.

- Secondary market suspension. Investors will not be able to acquire or dispose of Units on the ASX during any period that the ASX suspends trading in the Units. The ASX may suspend the trading of Units whenever the ASX determines that it is appropriate in the interests of a fair and orderly market to protect investors. The creation and redemption of Units will also be suspended in the event that the trading of Units on the ASX is suspended. Refer to the section of this PDS, titled "Redemption rights of non-Authorised Participant Unitholders" for further information on the redemption rights of secondary market investors when the trading in Units on the ASX has been suspended.
- Revocation of ASX approval of quotation risk. The ASX imposes certain requirements for the continued quotation of securities, including units of ETFs. There can be no assurance that the Funds will continue to meet the requirements necessary to maintain quotation of Units on the ASX or that the ASX will not change the quotation requirements. The Funds may be terminated if the ASX revokes listing approval.
- *No trading market in ETF units.* There can be no assurance that an active trading market will exist for units of an ETF on the securities exchanges the ETF is traded. Further, there can be no assurance that units of an ETF will experience trading or pricing patterns similar to those of ETFs which are issued by investment companies in other jurisdictions or those traded on the ASX that seek to track a different index. Investors should note that liquidity in the secondary market for ETF units may be adversely affected if there is no market maker or authorised participant for the ETF. Although units of an ETF may be quoted on a securities exchange and there may be one or more appointed market maker, there may be no liquid trading market for the ETF units or such appointed market maker(s) may cease to fulfil that role. It is the Responsible Entity's intention that there will always be at least one market maker for the Units of the Funds.

Operational risk. The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Regulatory and business risk. Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect your investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Tracking error risk. The NAV of each Fund may not correlate exactly with the index it is designed to match. Factors such as fund fees and expenses, imperfect correlation between fund security holdings and index constituents, inability to rebalance portfolio holdings in response to changes to index constituents, rounding of prices, index changes and regulatory policies may affect the ability of a fund to achieve close correlation with the index. A fund's returns may therefore deviate from the index it is designed to match. Funds that employ an optimisation strategy may incur tracking error risk to a greater extent than a fund that seeks to fully replicate an index.

11.5 Risk management

The Funds benefit from the BlackRock Group's global expertise and risk management practices, with investment strategies employed across the BlackRock Group being continuously monitored and assessed.

Risk management is integral to the BlackRock Group's culture and has been integrated into management and investment practices wherever possible. The BlackRock Group recognises that risk management is an integral part of sound management practice and is therefore committed to continually investing incrementally in its risk management capabilities commensurate with the increasing complexity, range and scale of its business activities.

Asset exposures are constantly monitored to ensure all BlackRock Group funds remain within permitted investment parameters. Operating and investment processes are continuously reviewed through a combination of internal and external audit, regular compliance monitoring, management self-assessment procedures and risk management oversight.

Management of key controls and performance measurement is accomplished through routine reporting on investment activities. The BlackRock Group's automated systems produce reports that enable the ongoing monitoring of trading and investment activity against assigned limits, including individual trader and counterparty limits. Transactions that may result in exceptions to the established limits must have appropriate approval in accordance with internally documented policies.

Departmental oversight

The BlackRock Group has operational functions that help in the implementation of its risk management framework, including:

- Risk and Quantitative Analysis: Monitors the continuing development of process controls and functional segregation in conjunction with relevant business units to ensure that these remain robust and appropriate to the needs of the business. The Risk and Quantitative Analysis Team also measures and monitors all BlackRock Group funds.
- Legal and Compliance: Responsible for the identification, communication and control of applicable legislation and restrictions. Compliance staff also conduct periodic compliance reviews of key processes and work closely with management to develop suitable controls.
- Internal Audit: Responsible for the review of internal processes and controls.
- Counterparty & Concentration Risk Group: Responsible for managing counterparty risk across the BlackRock Group. The Counterparty and Concentration Risk Group monitors and assesses counterparty exposures arising from a wide range of financial instruments.

12. Fees and other costs

12.1 Consumer advisory warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) Moneysmart website (www.moneysmart.gov.au)** has a managed funds fee calculator to help you check out different fee options.

12.2 Fees and costs summary

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your Fund account, from the returns on your investment or from the assets of the managed investment scheme as a whole. Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount		How and when paid
Ongoing annual fees and costs			
Management fees and costs The fees and costs for managing your investment[1]	iShares Core S&P/ASX 200 ETF	0.09% p.a.	The management fee for each Fund is calculated in relation to the NAV of the Fund on a daily basis. This cost is deducted from the assets of the Fund and is generally paid to us monthly in arrears. Management fees and costs include indirect costs. Indirect costs are a reasonable estimate of certain costs incurred within the Fund (or any underlying fund) that reduce returns. The deduction of managements fees and costs is reflected in the Fund's unit price.
	iShares Edge MSCI Australia Minimum Volatility ETF	0.30% p.a.	
	iShares Edge MSCI Australia Multifactor ETF	0.30% p.a.	
	iShares S&P/ASX 20 ETF	0.24% p.a.	
	iShares S&P/ASX Dividend Opportunities ETF	0.30% p.a.	
	iShares S&P/ASX Small Ordinaries ETF	0.55% p.a.	
Performance fees Amounts deducted from your investment in relation to the performance of the product	Nil for all Funds		The Funds do not charge a performance fee.
Transaction costs The costs incurred by the Fund when buying or selling assets	iShares Core S&P/ASX 200 ETF	0.00% p.a.	Transaction costs which are incurred when a member invests or redeems from the Fund will generally be recovered through the buy-sell spread applied to the unit price. Transaction costs that are not recovered ('net transaction costs') reduce returns and are reflected in the Fund's unit price.
	iShares Edge MSCI Australia Minimum Volatility ETF	0.04% p.a.	
	iShares Edge MSCI Australia Multifactor ETF	0.04% p.a.	
	iShares S&P/ASX 20 ETF	0.00% p.a.	
	iShares S&P/ASX Dividend Opportunities ETF	0.02% p.a.	
	iShares S&P/ASX Small Ordinaries ETF	0.01% p.a.	

<table>
<tr><th colspan="4">Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)</th></tr>
<tr><td>Establishment fee
The fee to open your investment</td><td colspan="2">Nil for all Funds</td><td>Not applicable.</td></tr>
<tr><td>Contribution fee
The fee on each amount contributed to your investment</td><td rowspan="2">If you are BUYING/ SELLING ON EXCHANGE
Nil</td><td rowspan="2">If you are an Authorised Participant creating/ redeeming Units
$205 to $2,050</td><td rowspan="2">These fees are only applicable to Authorised Participants, as only Authorised Participants are able to create/redeem Units.
These fixed fees are payable at the time of creating/redeeming Units. Refer to the section of this PDS titled "Additional explanation of fees and costs" for details of the contribution/ withdrawal fee charged by each Fund.</td></tr>
<tr><td>Withdrawal fee
The fee on each amount you take out of your investment</td></tr>
<tr><td>Buy-sell spread
An amount deducted from your investment representing costs incurred in transactions by the Fund</td><td colspan="2">Nil for all Funds</td><td>Buy-sell spreads do not apply when buying/selling units on exchange.</td></tr>
<tr><td>Exit fee
The fee to close your investment</td><td colspan="2">Nil for all Funds</td><td>Not applicable.</td></tr>
<tr><td>Switching fee
The fee for changing investment options</td><td colspan="2">Nil for all Funds</td><td>Not applicable.</td></tr>
</table>

[1] Fees can be negotiated with certain "wholesale clients" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders. See 'Differential fees' within the "Additional explanation of fees and costs" section for further information.

12.3 Example of annual fees and costs

The table below gives an example of how ongoing annual fees and costs in each Fund can affect your investment over a 1-year period. You should use this table to compare these products with other products offered by managed investment schemes.

<table>
<tr><th colspan="3">EXAMPLE - iShares Core S&P/ASX 200 ETF</th></tr>
<tr><th colspan="3">BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING THE YEAR</th></tr>
<tr><td>Contribution fees</td><td>Nil</td><td>For every additional $5,000 you put in, you will be charged $0.</td></tr>
<tr><td colspan="3">PLUS</td></tr>
<tr><td>Management fees and costs</td><td>0.09%</td><td>And, for every $50,000 you have in the Fund you will be charged or have deducted from your investment $45 each year</td></tr>
<tr><td>Performance fees</td><td>Nil</td><td>And, you will be charged or have deducted from your investment $0 in performance fees each year</td></tr>
<tr><td>Transaction costs</td><td>0.00%</td><td>And, you will be charged or have deducted from your investment $0 in transaction costs</td></tr>
<tr><td colspan="3">EQUALS</td></tr>
<tr><td>Cost of Fund</td><td colspan="2">If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year you would be charged fees and costs of $45.[1]
What it costs you will depend on the fees you negotiate.</td></tr>
</table>

1. Additional fees may apply. Authorised Participants may incur a fixed contribution fee to create Units in a Fund. Additionally, Authorised Participants may also incur transaction costs when creating units in a Fund by way of a Non-Standard Transaction. These fees/costs are not applicable to investors buying on exchange. Refer to the section of this PDS titled "Additional explanation of fees and costs" for further information.

12.4 Cost of product information

COST OF PRODUCT FOR 1 YEAR

The cost of product gives a summary calculation about how ongoing annual fees and costs can affect your investment over a 1-year period for all investment options. It is calculated in the manner shown in the *Example of annual fees and costs*.

The cost of product assumes a balance of $50,000 at the beginning of the year with a contribution of $5,000 during the year. (Additional fees such as an establishment fee or an exit fee may apply: refer to the Fees and costs summary for the relevant option.)

You should use this figure to help compare this product with other products offered by managed investment schemes.

Fund	Cost of Product
iShares Core S&P/ASX 200 ETF	$45
iShares Edge MSCI Australia Minimum Volatility ETF	$170
iShares Edge MSCI Australia Multifactor ETF	$170
iShares S&P/ASX 20 ETF	$120
iShares S&P/ASX Dividend Opportunities ETF	$160
iShares S&P/ASX Small Ordinaries ETF	$280

12.5 Additional explanation of fees and other costs

The fees and costs information included in this document is disclosed with consideration to ASIC Regulatory Guide 97 "Disclosing fees and costs in PDSs and periodic statements" issued in September 2020 (RG 97). Until 30 September 2022, product issuers may choose to rely on a transitional version of RG 97 (released March 2017). As a result, the fees and costs information included in this document may not be comparable to fees and costs disclosures of other funds offered by other product issuers.

Ongoing annual fees and costs

The ongoing annual fees and costs comprise:

► **Management fees and costs**

Management fees and costs include:

- amounts payable to us for administering the Funds ('management fees'), set out in the table below;
- amounts paid for investing in the assets of the Funds; and
- other expenses and reimbursements in relation to the Funds.

Management fees and costs also include indirect costs.

	Management fee
iShares Core S&P/ASX 200 ETF	0.09% p.a.
iShares Edge MSCI Australia Minimum Volatility ETF	0.30% p.a.
iShares Edge MSCI Australia Multifactor ETF	0.30% p.a.
iShares S&P/ASX 20 ETF	0.24% p.a.
iShares S&P/ASX Dividend Opportunities ETF	0.30% p.a.
iShares S&P/ASX Small Ordinaries ETF	0.55% p.a.

Management fees and costs are not deducted directly from your Fund account. Instead, they are accrued daily within a Fund's NAV price and are deducted from the assets of a Fund. Management fees are generally paid to the Responsible Entity monthly in arrears.

Investment management services may be provided to the Responsible Entity by other members of the BlackRock Group, for which management fees and costs are charged. Where such fees and costs are paid for the provision of investment management services, they are payable by BlackRock and are not at an additional cost to you.

Where an investment is made through a fund managed by us or another company in the BlackRock Group the management fees and costs of the underlying fund will generally either be rebated or not charged.

► **Performance fees**

The Funds do not charge a performance fee.

► **Transaction costs**

Transaction costs are incurred when assets are bought and sold. Transaction costs include, but are not limited to:

- explicit transaction costs, such as brokerage, buy-sell spread, settlement costs, clearing costs (including custody costs) and stamp duty; and
- where applicable, OTC derivative transaction costs, the costs of investing in OTC derivatives, excluding such costs disclosed as indirect costs.

Transaction costs exclude borrowing costs, property operating costs and certain implicit or market impact costs.

Transaction costs may be incurred when Authorised Participants create or redeem Units in a Fund or when transacting to manage a Fund's investment strategy.

Transaction costs incurred when an Authorised Participant creates or redeems Units may be recovered through the contribution or withdrawal fee. Additionally, where an Authorised Participant creates/redeems Units by way of a Non-Standard Creation/Redemption Basket or cash only creation/redemption (Non-Standard Transactions), actual brokerage incurred (and GST payable, after taking into account expected reduced input tax credits) in acquiring or realising securities (as applicable) may be charged to the transacting Authorised Participant.

Transaction costs that are not recovered (the "net transaction costs" in the below table) reduce the investment return of a Fund. Net transaction costs are reflected in each Fund's NAV Price and are not charged separately to the investor.

Transaction costs are generally calculated with consideration to the financial year of a fund ending 30 June 2020. In the case of a new fund, transaction costs are disclosed as a reasonable estimate of the costs we expect to be incurred over the next twelve months. Certain amounts or figures used to calculate transaction costs may include estimates in circumstances where actual figures could not be obtained.

The below table provides details of the transaction costs and any applicable transaction cost recovery attributable to each Fund as a percentage of each Fund's average AUM for the last financial year.

Estimated transaction costs and transaction cost recovery [1]

Fund name	Total	Recovery	Net
iShares Core S&P/ASX 200 ETF	0.01%	0.01%	0.00%
iShares Edge MSCI Australia Minimum Volatility ETF	0.09%	0.05%	0.04%
iShares Edge MSCI Australia Multifactor ETF	0.09%	0.05%	0.04%
iShares S&P/ASX 20 ETF	0.00%	0.00%	0.00%
iShares S&P/ASX Dividend Opportunities ETF	0.03%	0.01%	0.02%
iShares S&P/ASX Small Ordinaries ETF	0.03%.	0.02%	0.01%

1. Costs shown with consideration to the financial year of the Fund ending 30 June 2020 and as a percentage of the Fund's average AUM. Net transaction costs equal total transaction costs minus transaction cost recovery.

Transaction costs are dependent upon a number of factors and therefore may change from year to year. Transaction costs for future periods may be higher or lower than the transaction costs currently disclosed.

Expense recovery and abnormal costs

► **Expense recovery costs**

We are entitled to be reimbursed for certain expenses in managing and administering the Funds. These expenses cover most of the out-of-pocket expenses the Responsible Entity is entitled to recover from each Fund including custody safekeeping fees, index licence fees and other investment related expenses. Unless we indicate otherwise, all Fund expenses, other than indirect costs and transaction costs (see below for further information) will be paid for by the Responsible Entity and no additional expenses will be recovered from a Fund.

Expense recovery costs are generally calculated with consideration to the actual costs incurred during the financial year of a Fund ending 30 June 2020. In the case of a new fund, expense recovery costs are disclosed as a reasonable estimate of any such costs we expect to be incurred over the next twelve months.

The Funds are not expected to incur any expense recovery costs.

Expense recovery costs are dependent upon a number of factors and therefore may change from year to year. Expense recovery costs for future periods may be higher or lower than the expense recovery costs currently disclosed.

► **Abnormal costs**

Abnormal costs are expenses not generally incurred during the day-to-day operations of a Fund and are not necessarily incurred in any given year. They are due to abnormal events such as the cost of running a Unitholder meeting or legal costs incurred by changes to a Fund's constitution or defending legal proceedings. We will continue to seek reimbursement from each Fund in relation to these types of expenses should they arise.

Abnormal costs are generally calculated with consideration to the actual costs incurred during the financial year of a Fund ending 30 June 2020. In the case of a new fund, abnormal costs are disclosed as a reasonable estimate of any such costs we expect to be incurred over the next twelve months.

The Funds are not expected to incur any abnormal costs.

Abnormal costs are dependent upon a number of factors and therefore may change from year to year. Abnormal costs for future periods may be higher or lower than the abnormal costs currently disclosed.

► **Indirect costs**

Indirect costs include any amount that we know, reasonably ought to know or, where this is not the case, may reasonably estimate, will reduce the return of a Fund. Indirect costs may be incurred directly by a Fund or, where applicable, indirectly through an underlying fund.

Indirect costs may include, but is not limited to:

- Over the counter (OTC) derivative costs: Where applicable, costs of investing in OTC derivatives, excluding such costs disclosed as transaction costs, see below for further information).

Indirect costs exclude certain transaction costs (see above for further information).

Indirect costs reduce the investment return of a Fund (or where applicable underlying fund). Indirect costs are reflected in each Fund's NAV Price and are not charged separately to an investor.

Indirect costs are generally calculated with consideration to the financial year of a Fund ending 30 June 2020. In the case of a new fund, indirect costs are disclosed as a reasonable estimate of the costs we expect to be incurred over the next twelve months. Certain amounts or figures used to calculate indirect costs may include estimates in circumstances where actual figures could not be obtained.

The Funds are not expected to incur any indirect costs.

Indirect costs are dependent upon a number of factors and therefore may change from year to year. Indirect costs for future periods may be higher or lower than the indirect costs currently disclosed.

Contribution/withdrawal fee for Authorised Participants

These fees are only applicable only to Authorised Participants, as only Authorised Participants are able to create/redeem Units.

A contribution/withdrawal fee may be payable by an Authorised Participant with every creation/redemption of Units. The contribution/withdrawal fee applicable to each Fund is detailed in the following table.

	Contribution/ Withdrawal fee
iShares Core S&P/ASX 200 ETF	$2,050
iShares Edge MSCI Australia Minimum Volatility ETF	$985
iShares Edge MSCI Australia Multifactor ETF	$1,025
iShares S&P/ASX 20 ETF	$205
iShares S&P/ASX Dividend Opportunities ETF	$510
iShares S&P/ASX Small Ordinaries ETF	$2,020

This fee represents the estimated custody and administration costs associated with the purchase or sale of securities following a creation or redemption of Units by an Authorised Participant. The same fee may be applied to both Unit creations and redemptions and is a separate flat dollar fee regardless of the size of the transaction.

The contribution/withdrawal fee is payable by the Authorised Participant to a Fund and is not paid to BlackRock. In the case of a creation of Units the contribution fee is payable in addition to the issue price and in the case of a redemption of Units the withdrawal fee will be deducted from the redemption proceeds.

Can the fees change?

All fees can change. They may vary over time as a result of changes to a Fund, changing economic conditions and changes in regulations, and may change without Unitholder consent.

We will provide investors 30 days prior notice of any proposed increase to our fees. Under special circumstances, we may elect to vary the frequency of our fee collection.

The current fees applicable to your investment are set out in this PDS and although we have the power to change our fee structure without your consent, we have no present intention to do so.

Payments to advisers and other service providers

Ongoing service commission

No commission is currently payable by us to advisers in relation to each Fund.

Stockbroker fees for ASX investors

Investors buying and selling Units on the ASX will incur customary brokerage fees and commissions. These fees and charges should be discussed with your stockbroker prior to investing.

Alternative forms of remuneration

We may provide alternative forms of remuneration, which include professional development, sponsorship and entertainment to licensed financial advisers, dealer groups and master trust or IDPS operators. Where such benefits are provided, they are payable by BlackRock and are not an additional cost to you.

We maintain a public register of alternative forms of remuneration in accordance with FSC/FPA Industry Code of Practice on Alternative Forms of Remuneration. Please contact BlackRock if you wish to inspect this register (refer to page 3 of this PDS for contact details).

BlackRock will only make these payments to the extent that they are permitted by law.

Fee for wholesale investors

We may individually negotiate fees with investors classed as “wholesale clients”, as defined by the Corporations Act. We may also negotiate special arrangements concerning fees (including fee reductions or waivers) with other investors in certain circumstances determined by us, as permitted by law. Please contact us for further details.

13. Primary market matters

13.2 Authorised participants

Requests for the creation or redemption of Units in each Fund may only be submitted by Authorised Participants.

Before we can process an initial Unit creation request, Authorised Participants are required to provide us with a signed AP Agreement. Authorised Participants are required to comply with any additional requirements as set out in the AP Agreement.

As part of the initial Unit creation process, Authorised Participants will be provided with a copy of the Operating Procedures. Authorised Participants should read the Operating Procedures before making an investment decision. The Operating Procedures contain the following important information, which is only relevant to Authorised Participants:

- the Cut-off Time for Unit creation and redemption requests;
- details of the Business Days each Fund is open for Unit creation and redemption requests;
- settlement timeframes for Unit creation and redemption requests;
- minimum Unit creation and redemption sizes; and
- after an Authorised Participant's initial investment in a Fund, details on how subsequent Unit creation and redemption requests can be made.

The Operating Procedures may be updated at any time. Should the Operating Procedures be updated we will notify all Authorised Participants of the update and will make available a copy of the updated document. Authorised Participants may also request a copy of the current Operating Procedures by contacting the iShares Australia Capital Markets Desk (refer to page 3 of this PDS for contact details).

13.3 Minimum Unit creation and redemption size

Except in respect of a distribution reinvestment, Units of a Fund may only be created or redeemed with consideration to a minimum Unit creation or redemption size, as specified in the Operating Procedures. Additionally, Authorised Participants will only be permitted to create or redeem Units that have been aggregated into blocks of one Creation Unit or one Redemption Unit or multiples thereof.

Other investors looking to acquire or dispose of Units in a Fund may do so on exchange, through their stockbroker. We do not currently set any restrictions on secondary market transactions, such transactions, however, may be subject to minimum transaction amounts, as required by the exchange and/or your stockbroker.

In accordance with each Fund's constitution, we may set a minimum holding amount in respect of each Fund. Currently no minimum holding amount has been set, meaning unitholders can hold as little as one Unit in a Fund. Should we choose to set a minimum holding amount in respect of a Fund, in accordance with the provisions of each Fund's constitution, we may choose to redeem a unitholder's holding where the holding is below the stated minimum holding amount, without the need for a unitholder redemption request.

We may choose to alter the minimum unit creation and redemption sizes and minimum unit holding amounts in respect of a Fund from time to time. Unitholders will be notified of any such changes in accordance with the requirements of the Corporations Act and the relevant Fund's constitution.

13.4 Unit creation requests

To make an initial investment in a Fund, Authorised Participants may, subject to the minimum unit creation size, request the creation of Units on any Business Day by:

- completing the Fund's Application Form accompanying this PDS and returning it to us by mail or facsimile (using the contact information as shown on the Application Form) or by complying with such other Unit creation request method that the Responsible Entity may determine from time to time;
- returning the Unit creation request to us by the required Cut-off Time; and
- transferring to the Fund in which the Authorised Participant wishes to create Units:
  - a Creation Basket with, if applicable, a cash amount representing any residual cash amount;
  - if approved by us, a Non-Standard Creation Basket, with cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash; or
  - if approved by us, cash, for a cash only Unit creation.

Refer to the Operating Procedures for details of each Fund's Business Day, minimum Unit creation size and Cut-off Time.

In return, we will issue the Authorised Participant with the required number of Units of the applicable Fund, the transfer of which will be made through CHESS.

A contribution fee may be payable by Authorised Participants in relation to Unit creation requests (refer to the section of this PDS titled "Fees and other costs" for further information).

Refer to the section of this PDS titled "Non-Standard Transaction requests" for further information on Non-Standard Creation Basket and cash only Unit creation requests.

The use of facsimile instructions is subject to the terms and conditions set out in the section of this PDS titled "Receipt of instructions".

Authorised Participants may also need to complete an Investor Identification Form for the purposes of Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML Legislation).

Additional investments can be made at any time in writing (including via facsimile), via iShares Online or by complying with such other Unit creation request method that the Responsible Entity may determine from time to time. Authorised Participants who have agreed to submit Unit creation requests using iShares Online may do so in accordance with the iShares Online Terms and Conditions. We will provide a copy of the iShares Online Terms and Conditions to Authorised Participants. Additional investments are made on the basis of a current PDS. A copy of the current PDS for the Funds and any information updating it is available free of charge upon request by contacting the iShares Call Centre (refer to page 3 of this PDS for contact details).

Units issued pursuant to a Unit creation request will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant Units through CHESS. On a monthly basis, we will announce to the ASX via the ASX Markets Announcements Platform each Fund's total Units on issue. As the settlement of the issue of the relevant Units will be made through CHESS, we will not be required to hold application money prior to the issue of the Units.

Other investors looking to acquire Units in each Fund may buy Units on the ASX.

13.5 Unit redemption requests

An Authorised Participant may, subject to the minimum unit redemption size, request the redemption of Units on any Business Day by:

- providing to us a Unit redemption request in writing, to be sent by mail or facsimile (using the iShares Australia Capital Markets Desk contact information as shown on page 3 of this PDS), via iShares Online or by complying with such other Unit redemption request method that the Responsible Entity may determine from time to time. Authorised Participants who have agreed to submit Unit redemption requests using iShares Online may do so in accordance with the iShares Online Terms and Conditions. We will provide a copy of the iShares Online Terms and Conditions to Authorised Participants;
- returning the Unit redemption request to us by the required Cut-off Time; and
- transferring to the Fund in which the Authorised Participant wishes to redeem Units, the relevant number of Units through CHESS.

In return, the Fund in which the Authorised Participant wishes to redeem Units will transfer to the Authorised Participant:

- a Redemption Basket with, if applicable, a cash amount representing any residual cash amount;
- if approved by us, a Non-Standard Redemption Basket, with cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash; or
- if approved by us, cash, for a cash only Unit redemption.

Refer to the Operating Procedures for details of each Fund's Business Day, minimum Unit redemption size and Cut-off Time.

A withdrawal fee may be payable by Authorised Participants in relation to Unit redemption requests (refer to the section of this PDS titled "Fees and other costs" for further information).

Refer to the section of the PDS titled "Non-Standard Transaction requests" for further information on Non-Standard Redemption Basket and cash only Unit redemption requests.

In certain circumstances we may be required or permitted by a Fund's constitution to deduct other amounts (e.g. withholding tax) from redemption proceeds that would otherwise be payable to a Unitholder, refer to the section of this PDS titled "Distribution on redemption" for further information.

Other investors looking to dispose of Units in a Fund may sell Units on the ASX. Refer to the section of this PDS titled "Redemption rights of non-Authorised Participant Unitholders" for further information on the redemption rights of non-Authorised Participants.

The redemption procedures described above assume that each Fund remains liquid (as defined in the Corporations Act). We expect that each Fund will remain liquid. If a Fund becomes illiquid, withdrawals may only be made in accordance with the Corporations Act. We will advise Unitholders if a Fund becomes illiquid and the terms of any withdrawal offer.

13.6 Processing of Unit creations and redemptions

Generally, Unit creation or redemption requests are processed each Business Day. Unit creation or redemption requests received after the required Cut-off Time or on a non-Business Day will generally be treated as having been received the following Business Day.

Refer to the section of this PDS titled "Calculation of NAV Prices" for information regarding the calculation of NAV Prices used for Unit creations and redemptions.

In addition to the Unit creation and redemption request requirements set out in this PDS, Authorised Participants are also required to comply with other process requirements and deadlines associated with Unit creation and redemption requests, as described in the Operating Procedures.

Standard settlement timeframes of Unit creation and redemption requests are set out in the Operating Procedures.

Please note that in certain circumstances we may be entitled to suspend or postpone Unit creation and redemption requests. This will generally occur before or after the end of a Fund distribution period, but may also occur if trading or settlement on the ASX is closed, suspended or restricted. There may be other circumstances where we need to suspend or postpone Unit creation and redemption requests, such as where a Fund cannot properly ascertain the value of an asset or an event occurs that results in us not being able to reasonably acquire or dispose of assets held by a Fund. Any Unit creation or redemption request received during a period of suspension will be processed on the next available Business Day after the suspension has ended.

Refer to the Operating Procedures for details of each Fund's Business Day and Cut-off Time.

13.7 Calculation of NAV Prices

When you invest in a Fund, you are allocated a number of Units in that Fund. Each of these Units represents an equal interest in the net assets of the Fund. As a result, each Unit has a value or "unit price", also referred to as the NAV Price. The NAV Price is based on the NAV of a Fund divided by the number of Units on issue in that Fund.

The NAV and NAV Price are generally calculated as at the close of trading on each Business Day, usually one Business Day in arrears. The NAV is determined by deducting the liabilities of a Fund from the assets of that Fund. Assets and liabilities of each Fund are generally valued at their market value in accordance with each Fund's constitution.

Unit creation and redemption requests received before the required Cut-off Time on a Business Day will generally be processed at the NAV Price calculated as at the close of trading on that Business Day. Details of each Fund's daily NAV and NAV Price, as at the close of the previous Business Day, are available from our website at www.blackrock.com.au/ishares. Refer to the Operating Procedures for details of each Fund's Business Day and Cut-off Time.

We have the discretion, however, to price a Fund more or less frequently when unusual circumstances prevail (for example, where there has been unusual volatility in the market) in order to protect the interests of all Unitholders in that Fund. BlackRock has a formal "Unit Pricing Discretions Policy", which is available free of charge upon request by contacting BlackRock (refer to page 3 of this PDS for contact details).

13.8 Non-Standard Transaction requests

Authorised Participants may request the creation or redemption of Units on any Business Day by way of Non-Standard Creation Basket, Non-Standard Redemption Basket or cash only creation/redemption (Non-Standard Transactions).

Authorised Participants are responsible for notifying us of any Non-Standard Transaction request before the required Cut-off Time. Authorised Participants are, however, advised to notify us of any such requests as soon as possible.

We must approve any Non-Standard Transaction request before you take any action to transfer to us the securities forming a Non-Standard Creation Basket, cash or Units of a Fund (as applicable).

Non-Standard Creation Basket and Non-Standard Redemption Basket requests will require the Authorised Participant or the Fund (as applicable) to deliver additional cash in lieu of the omitted securities. Cash only Unit creation/redemption requests will require the Authorised Participant or the Fund (as applicable) to deliver cash in lieu of a Creation/Redemption Basket (as applicable).

Where an Authorised Participant submits a Non-Standard Transaction Unit creation request and the actual cost to the applicable Fund of acquiring the securities required to complete a Creation Basket differs from the value of those securities as at the relevant valuation time, the Authorised Participant will:

- where the actual cost to the applicable Fund of acquiring the securities is less than the value of those securities at the relevant valuation time, receive an amount from the applicable Fund equal to the difference; and
- where the actual cost to the applicable Fund of acquiring the securities is more than the value of those securities at the relevant valuation time, be required to pay an amount to the applicable Fund equal to the difference.

Where an Authorised Participant submits a Non-Standard Transaction Unit redemption request and the actual proceeds received by the applicable Fund for disposing of the relevant securities of a Redemption Basket to meet the Non-Standard Transaction Unit redemption request differ from the value of those securities as at the relevant valuation time, the Authorised Participant will:

- where the actual proceeds received by the applicable Fund for disposing of the securities is more than the value of those securities at the relevant valuation time, receive an amount from the applicable Fund equal to the difference; and
- where the actual proceeds received by the applicable Fund for disposing of the securities is less than the value of those securities at the relevant valuation time, be required to pay an amount to the applicable Fund equal to the difference.

In determining the actual cost and actual proceeds of acquiring and disposing of securities (as applicable), the actual brokerage incurred (and GST payable, after taking into account expected reduced input tax credits) is also taken into account.

Refer to the Operating Procedures for further details of each Fund's Business Day and Cut-off Time.

13.9 Indemnity

Authorised Participants acknowledge that, upon receipt of a Unit creation request, BlackRock may enter into transactions for a Fund, in anticipation of cash being received from the Authorised Participant. Authorised Participants agree to indemnify BlackRock against any losses and expenses incurred by us if cash is not received as cleared money by the applicable Fund in the normal course.

13.10 Redemption rights of non-Authorised Participant Unitholders

Generally, only Authorised Participants are eligible to transact directly with a Fund, with all other investors acquiring and disposing of Units in a Fund through their broker by buying and selling Units on the ASX.

However, in accordance with the requirements of ASIC Class Order CO [13/721], when Units of a Fund are suspended from trading on ASX for more than five consecutive trading days, non-Authorised Participant Unitholders will have a right to redeem Units directly with a Fund and receive the cash proceeds from the redemption within a reasonable period time unless:

- a Fund is being wound up;
- a Fund is not liquid for the purpose of the Corporations Act; or
- BlackRock, as responsible entity for a Fund, has suspended the redemption of Units in accordance with the provisions of the Fund's constitution.

In the event that this direct redemption right is triggered BlackRock will post further information on its website at www.blackrock.com.au at that time. This will include a non-Authorised Participant Redemption Form for Unitholders to complete, together with instructions on how to complete and submit the form and anticipated processing and payment timeframes. Non-Authorised Participant Unitholders may request to redeem in these circumstances by completing and returning the form as per these instructions.

13.11 Anti-money laundering and counter-terrorism financing

We are required to comply with the AML Legislation. The AML Legislation requires us to (amongst other requirements) verify the identity of investors making applications into funds offered by us.

We cannot accept a Unit creation request until satisfied that the identity of the Authorised Participant has been verified in accordance with the AML Legislation. The processing of a Unit creation request may be delayed until the requested information is received in a satisfactory form and the identity of the Authorised Participant is verified.

By completing the Fund's Application Form requested by BlackRock during the application process or by complying with such other Unit creation request method that the Responsible Entity may determine from time to time, Authorised Participants agree that:

- they do not make a Unit creation request under an assumed name;
- any money used to invest in a Fund is not derived from or related to any criminal activities;
- any proceeds of an investment in a Fund will not be used in relation to any criminal activities;
- upon request, the Authorised Participant will provide to us any additional information we reasonably require for the purpose of the AML Legislation; and
- we may obtain information about an Authorised Participant from third parties if we believe this is necessary to comply with the AML Legislation.

In order to comply with the AML Legislation, BlackRock may be required to take action, including:

- delaying or refusing the processing of a Unit creation or redemption request; or
- disclosing information that we hold about an Authorised Participant to our related bodies corporate or relevant regulators of the AML Legislation; or
- request from an Authorised Participant additional identification or verification documentation to verify the Authorised Participant's identity or comply with the AML Legislation. Where documentation provided is not in English, an English translation must be provided by a translator who is accredited by the National Accreditation Authority for Translators and Interpreters Ltd at the level of Professional Translator or above.

Investor identification requirements

To comply with the requirements of the AML Legislation, BlackRock may require an Authorised Participant to complete an Investor Identification Form. In order to establish your identity, BlackRock may require an Authorised Participant to submit supporting identification/verification documentation. Where such identification/verification documentation is required, an originally certified copy must be provided.

Appointed representatives

BlackRock is required to verify the identity of legal representatives and agents appointed to act on behalf of an Authorised Participant. We cannot proceed to act on the instructions of a nominated legal representative or agent until we verify the identity of that representative or agent.

Appointed legal representatives include, but are not limited to, executors of estates, attorneys (appointed under power of attorney) and nominated representatives.

14. Distributions

14.1 Receipt of income

Any income you receive from your investments will be in the form of distributions. Your distribution may include interest, dividends, coupons, other income and realised gains.

If you hold Units in a Fund as at the close of business on the last day of that Fund's distribution period, you are entitled to participate in the distributable income of that Fund.

The iShares Core S&P/ASX 200 ETF, iShares S&P/ASX 20 ETF and iShares S&P/ASX Dividend Opportunities ETF generally distribute quarterly, with distributions being determined as at the end of March, June, September and December each year.

The iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF and iShares S&P/ASX Small Ordinaries ETF generally distribute semi-annually, with distributions being determined as at the end of June and December each year.

The Funds may distribute on such other day as determined by BlackRock.

Distributions (if any) may vary over time depending on a Fund's realised losses, gains (if any), income and expenses in a particular period. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. There may be periods in which no distributions are made.

Following the determination of a distribution, the NAV Price of a Fund will fall to reflect the reduced value of that Fund following the payment of the distribution to Unitholders. In other words, it is priced to exclude the distribution entitlement.

Distributions will be paid to the Registrar for payment to Unitholders and until the payment is made will be held by the Registrar in a bank account. Payment of distributions will generally be made by direct credit into a nominated Australian bank account. Unitholders will receive a payment advice detailing the components of any distribution paid by a Fund.

If applicable, distribution of Australian sourced income to non-resident Unitholders may be subject to withholding tax.

Information in relation to the distributions of each Fund will be disclosed to the ASX via the ASX Market Announcements Platform and made available on our website at www.blackrock.com.au/ishares.

14.2 Distribution reinvestment plan

A Distribution Reinvestment Plan (DRP) is available to eligible Unitholders so that income distributions are automatically reinvested as additional Units in the Fund that issued the distribution. Partial and full reinvestment of distributions is available.

Unless you elect to participate in the DRP, distributions will be automatically paid in cash. Unitholders can participate in the DRP by registering directly with the Registrar. Refer to the section of this PDS titled "Registrar" for further information on the Registrar.

Participation in the DRP is subject to the terms outlined in the DRP Rules, which are available on our website at www.blackrock.com.au.

14.3 Distribution on redemption

Proceeds resulting from Authorised Participant Unit redemption requests may include a distribution of gains and/or income in a Fund. Where this is the case and once the relevant information is available, we will notify redeeming Authorised Participants of the estimated amount of distribution included in the redemption proceeds. Refer to the section of this PDS titled "Authorised Participant Unit redemption requests" for further information.

For non-resident Authorised Participants, the Manager may withhold an amount of tax applicable to such Authorised Participant's distribution. This will reduce the redemption proceeds payable or paid to the Authorised Participant.

14.4 Tax statement

Unitholders entitled to income in a Fund will receive an annual tax statement outlining their entitlements and the composition of taxable income in that Fund. We will issue this as soon as practicable after the end of the income year.

15. Taxation

15.1 Overview

The Australian tax commentary below is provided for Unitholders and assumes that Unitholders will be either:

- Authorised Participants, who will acquire and dispose of Units by creating and redeeming Units directly with a Fund or by buying and selling Units on ASX; or
- non-Authorised Participants Unitholders, who will acquire and dispose of Units by buying and selling Units on ASX.

It is assumed that Authorised Participants hold their Units in a Fund as trading stock as part of a securities trading business, and that all other investors hold their Units on capital account. This commentary does not address Unitholders who are temporary residents for tax purposes.

Investing and dealing with investments often has tax implications which can be complex and which are invariably particular to each Unitholder's circumstances. It is important that Unitholders seek professional advice before making an investment decision.

The taxation information contained in this document reflects the income tax legislation in force, and the interpretation of the Australian Taxation Office and the courts, as at the date of issue of this document. Taxation laws are subject to continual change and there are reviews in progress that may affect the taxation of trusts and Unitholders.

15.2 Taxation of a Fund

The Responsible Entity intends to manage the Funds such that the Funds are not subject to Australian tax. Recent changes in the tax law (refer to the section of this document titled “Taxation reform” for further information) have introduced a new elective taxation regime that is available to certain eligible management investment trusts, known as “Attribution Managed Investment Trusts” (AMITs). The AMIT regime is generally available from 1 July 2016, with the existing tax rules for managed funds applying unless an election to enter the regime is made.

As at the date of this document, the Responsible Entity intends to make an irrevocable election for all eligible funds to enter the AMIT regime from the 1 July 2017 to 30 June 2018 year, on the basis that entry into the AMIT regime is in the best interest of unitholders.

The Responsible Entity does not expect the Funds to be subject to tax on the income of the Funds (other than in relation to withholding tax or other tax payable in respect of non-resident Unitholders) as it is intended that:

- for eligible funds that enter the AMIT regime: all taxable income will be ‘attributed’ to the unitholders in each financial year; and
- for funds that do not enter the AMIT regime: unitholders will continue to be presently entitled to all the income of a Fund in each financial year, with the existing tax rules for managed funds continuing to apply.

Under the AMIT regime, the Responsible Entity intends to allocate income to unitholders in the same overall manner as previously under the tax rules for managed funds.

15.3 Investment portfolio taxes

A Fund may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio. A Fund may not be able to recover such taxes and any unrecovered taxes could have an adverse effect on the NAV of that Fund. Where a Fund invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be imposed in the future, as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof.

15.4 Taxation of a resident Unitholder

You will be assessed on your share of the taxable income of the Fund in which you are invested to which you have been attributed or which you are presently entitled, regardless of whether you receive the distribution in cash or it is reinvested. You will be assessed in the year to which your entitlement relates.

For example, an income distribution for the period ending 30 June 2017 is included in the assessable income for 2016/2017, even if the cash is received in July 2017.

If you are not an Authorised Participant who holds Units as trading stock, you may have to pay tax on all or part of your capital gain (the increase in the value of your investment) when you dispose of your Units. If you hold Units as trading stock and you redeem or otherwise dispose of Units, you may need to include any profit as part of your assessable income for tax purposes.

15.5 Taxable income of a Fund

The taxable income to which you are entitled may include various amounts, as described below. If a Fund incurs a net loss for a year, the loss cannot be distributed but may be carried forward and utilised in subsequent years subject to satisfaction of various tests.

Types of income

Depending on the types of investments made, a Fund can derive income in the form of dividends, interest, gains on the disposal of investments and other types of income.

Generally, such income derived by a Fund is taxable, but tax credits (e.g. franking credits and foreign income tax offsets) may be available to Unitholders to offset part or all of any resulting tax liability.

Capital gains tax (CGT)

In broad terms, under the CGT provisions, net capital gains arising on the disposal of a Fund’s investments will be included in that Fund’s taxable income.

A Fund will generally calculate taxable capital gains based on half the nominal gain made on the disposal of an asset, if that asset was held for 12 months or more. Capital gains distributed may include some gains where eligible Unitholders are able to claim concessional CGT treatment.

Capital/revenue (MIT) election for Managed Investment Trusts

Trusts which are managed investment trusts (MITs) (which include Australian managed investment schemes that are widely held or that are taken to be widely held and that satisfy certain closely held restrictions) may be eligible to make the MIT election to apply the CGT provisions to tax gains and losses from certain eligible assets (shares, units and real property interests). Where a MIT is eligible to make an election and it does not do so, any gains and losses on the disposal of those eligible assets (excluding land or interests in land) will be taxed on the revenue account. When a Fund qualifies to make a MIT election, certain investors may obtain the benefit of the CGT discount and other tax concessions on distributions of capital gains.

Non-resident Unitholders will generally not be subject to withholding tax on capital gains made by managed investment funds which are ‘fixed trusts’ for tax purposes, unless those gains relate to certain direct or indirect interests in Australian real property.

Taxation of financial arrangements

Financial arrangements directly held by a Fund (for example debt securities) may be subject to the Taxation of Financial Arrangements rules (TOFA). Under the TOFA rules, gains and losses on financial arrangements are generally assessed for tax purposes on an accruals basis (where the gains/losses are sufficiently certain) or realisation basis; unless a specific TOFA elective methodology is adopted.

15.6 Taxation of non-resident Unitholders

If a non-resident Unitholder is entitled to or attributed taxable income of a Fund, the Unitholder may be subject to Australian withholding tax. Distributions to you of amounts attributed to Australian franked dividends will not be subject to withholding tax. Any distribution of unfranked dividends, interest or amounts in the nature of interest, however, may be subject to withholding tax. This is irrespective of whether distributions are paid in cash or reinvested as additional units.

You may have to pay tax on all or part of your capital gain (reflecting the increase in the value of your investment) when your Units are disposed of. Non-resident Unitholders may also not be eligible to utilise the CGT discount on capital gains. We recommend that you seek professional advice and visit the Australian Taxation Office website (www.ato.gov.au) for further information. In addition, the distributable income of a Fund may include non-assessable amounts. Receipt of certain non-assessable amounts may have capital gains tax consequences.

15.7 Tax file number (TFN), exemption and Australian business number (ABN)

Australian Unitholders may quote their Tax File Number (TFN) to us or claim an exemption at any time. However, you are not obliged to quote your TFN or claim an exemption. Strict guidelines govern the use and storage of TFNs. If you do not quote your TFN or claim an exemption, then your income distributions will have tax withheld at the top marginal rate plus Medicare levy. Some investors that invest in a Fund in the course of carrying on an enterprise of investing may also be entitled to quote their Australian Business Number as an alternative to their TFN.

15.8 Goods and services tax (GST)

The creation and redemption of Units are not subject to GST. Fees incurred (e.g. management fees) will attract GST at the prevailing rate. Where under the GST legislation a Fund is entitled to credits for GST paid to another entity, the cost of paying GST from that Fund will be reduced proportionately.

15.9 Taxation reform

The Australian government has enacted legislation introducing a new regime for taxing managed funds, the AMIT rules. Eligible funds will be able to elect into the regime, which is available from the 2016-2017 income year. The AMIT rules include a new attribution method that provides a formal mechanism to allocate taxable income to unitholders that is not dependent on the amount of income distributed. As at the date of this document, for all eligible funds, the Responsible Entity will elect to enter into the AMIT regime from the 1 July 2017 to 30 June 2018 year.

Reforms to the taxation of managed funds are generally ongoing and investors should seek their own advice and monitor the progress of such legislative changes.

15.10 Authorised Participant Unit redemption requests

This section contains general comments for Authorised Participants requesting the redemption of Units. As the taxation implications are specific to each investor, we strongly recommend that Authorised Participants seek their own independent professional taxation advice.

Redemptions

Authorised Participants who request the redemption of Units will be entitled to receive a withdrawal amount, which may include a distribution of income from the Fund from which the Authorised Participant is redeeming.

The distribution of income from a Fund may include an entitlement to gains and/or income realised by the disposal of securities as a result of the redemption. The distribution may also include income earned and gains realised by a Fund to the date of redemption.

For non-resident Authorised Participants, the Manager may withhold an amount of tax applicable to such Authorised Participant's distribution. This will reduce the redemption proceeds payable or paid to the Authorised Participant.

Authorised Participants redeeming Units should be assessed on any profits arising on the redemption, or may be entitled to a deduction for any loss arising from the redemption of Units.

15.11 Acquisition and disposal of Units on ASX

This section contains general comments for non-Authorised Participant Unitholders, who will buy and sell Units on ASX and who hold these Units on capital account. As the taxation implications are specific to each investor, we strongly recommend that non-Authorised Participant Unitholders seek their own independent professional advice.

Acquisitions

For Units bought on ASX, the amount paid for the shares (plus incidental acquisition costs) will be included in the tax cost base of the Units. Receipt of tax deferred amounts or attribution of AMIT cost base adjustments or tax deferred amounts from a Fund may reduce the cost base of that Fund's Units for CGT purposes. If the cost base is reduced to below zero, an immediate capital gain may be realised. Under the AMIT regime, AMIT cost base adjustments may increase or decrease the cost base of that Fund's Units for CGT purposes.

Disposals

The sale of Units on ASX, will give rise to a CGT event, which may result in a capital gain or loss to the Unitholder. Capital losses can be offset against capital gains. A net capital loss can be carried forward and applied against future capital gains (if any).

Unitholders who are individuals, trustees (conditions apply) and complying superannuation entities may be eligible to claim concessional treatment based on the net capital gain made on the disposal of a Unit that was held for 12 months or more.

15.12 United States Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (FATCA) is a US tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by US citizens and US tax residents through use of non- US investments or accounts. The FATCA provisions were included in the US HIRE Act, which was signed into US law on 18 March 2010. Australia has entered into an intergovernmental agreement (IGA) with the US to implement FATCA in Australia, via the Australian Taxation Administration Act 1953 (Cth), which is to be administered by the Australian Taxation Office (ATO). Under the IGA, Reporting Australian Financial Institutions will have identification and reporting obligations with regard to FATCA. The Funds are expected to be a Reporting Australian Financial Institution under the IGA. The Funds intend to fully comply with their FATCA obligations as determined by the FATCA regulation, the IGA and any associated guidance from the ATO. These obligations include, but are not limited to, each Fund identifying and documenting the FATCA status of its investors. The Funds must also report certain information on applicable investors to the ATO, which will in turn report this information to the US Internal Revenue Service.

In order for the Funds to comply with their FATCA obligations, the Funds will be required to request certain information from their investors. Please consult your tax advisor should you wish to understand the implications of FATCA on your particular circumstances. We are not liable for any loss an investor may suffer as a result of the Funds’ compliance with FATCA.

15.13 Common Reporting Standards (CRS)

The Common Reporting Standard (CRS) is a new, single global standard on Automatic Exchange Of Information (AEOI). It was approved by the Organisation for Economic Co-operation and Development (OECD) in February 2014 and draws on earlier work of the OECD and the EU, global anti-money laundering standards and, in particular, the Model FATCA Intergovernmental Agreement. Under the CRS, participating jurisdictions will be required to exchange certain information held by financial institutions regarding their non-resident investors. The CRS was effective in Australia from 1 July 2017. The Funds will be required to provide certain information to the ATO about non-Australian tax resident holders of Shares (which information will in turn be provided to the relevant tax authorities. In light of the above, holders of Shares in the Funds will be required to provide certain information to the Funds to comply with the terms of the reporting systems.

16. Additional information

16.1 No cooling off rights

Authorised Participants are “wholesale clients” as defined in the Corporations Act and are therefore not entitled to cooling off rights in relations to Unit creation requests. Please contact BlackRock if you have any queries in relation to cooling off rights.

16.2 Reporting requirements

A copy of the audited annual financial report of each Fund is generally available by the end of September from us. Each Fund’s report will be issued in accordance with the Australian Accounting Standards, the Corporations Act and all other applicable professional reporting requirements.

Each Fund will be a disclosing entity and subject to the regular financial reporting and continuous disclosure requirements of the Corporations Act. We will satisfy our obligations by publishing the following material on our website at www.blackrock.com.au:

- a copy of a Fund’s annual financial report most recently lodged with ASIC;
- any half-yearly financial report lodged with ASIC in respect of a Fund after the lodgement of the annual financial report; and
- any continuous disclosure notices given in respect of a Fund.

A paper copy of this material will be available from BlackRock free of charge upon request. Copies of documents lodged with ASIC in relation to each Fund may be obtained from, or inspected at, an ASIC office.

16.3 Receipt of instructions

Please be aware that fraudulent or other unauthorised instructions can be made by persons with access to a Unitholder's account name and a copy of their authorised signatures. Accordingly, Unitholders agree to release and indemnify us against all claims and demands arising as a result of our acting on what appeared to us to be proper instructions.

16.4 Legal

We are the Responsible Entity for the Funds and as such, we are licensed by ASIC, which is responsible for regulating the operation of managed investment schemes like the Funds.

Our responsibilities and obligations, as Responsible Entity of each Fund, are governed by each Fund’s constitution as well as the Corporations Act and general trust law.

Each Fund’s constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both you and us. A copy of each Fund’s constitution is available free of charge from BlackRock (refer to page 3 of this PDS for contact details).

Some of the main provisions that relate to Unitholder rights under the constitution include:

- Unitholder rights to share in the income of a Fund, and how we calculate it;
- Unitholder rights to withdraw from a Fund and what Unitholders are entitled to receive when they withdraw or if a Fund is wound up;
- the nature of the Units and classes of Units (if applicable);
- Unitholder rights to attend and vote at meetings – these mainly reflect the requirements of the Corporations Act which also deals with Unitholder rights to requisition or call a meeting; and
- resolutions passed by a requisite majority at a meeting of Unitholders are binding on all Unitholders.

The constitution of each Fund provides that the liability of each Unitholder is limited to its investment in a Fund. A Unitholder is not required to indemnify us or our creditors in respect of a Fund. However, no complete assurance can be given in this regard, as the ultimate liability of a Unitholder has not been finally determined by the courts.

There are also provisions governing our powers and duties, some of which are discussed elsewhere in this PDS.

Other provisions include:

- when we can terminate a Fund or class of Units (if applicable) or reclassify Units (if applicable) and what happens if we do. Generally, we can only terminate a Fund in accordance with the Corporations Act and only if we provide Unitholders with the required notice, and if we do, Unitholders share pro rata in the net proceeds from us selling a Fund’s investments;
- when we can amend a Fund’s constitution. Generally, we can only amend a constitution where we reasonably believe that the changes will not adversely affect a Unitholder's rights as an investor. Otherwise a Fund constitution can only be amended if approved by special resolution at a meeting of investors;
- our right to refuse to accept Unit creation requests or record any transfer of Units without giving any reason;
- our right to determine minimum Unit creation, redemption and holding amounts and powers in support of these minimums;
- our right to deduct amounts Unitholders owe us from withdrawal proceeds; and
- our broad powers to invest, borrow and generally manage a Fund. We do not currently intend to borrow funds to acquire assets for each Fund, although this is permitted under each Fund’s constitution. We may only borrow if we consider it to be in the best interests of Unitholders.

The constitution also deals with our liabilities in relation to a Fund and when they can be reimbursed to us out of a Fund’s assets, for example, subject to the Corporations Act:

- we are not liable for acting in reliance and in good faith on professional advice;
- we are not liable to Unitholders for any loss unless we fail to comply with our duties, fail to act in good faith or if we act negligently; and
- we can be reimbursed for all liabilities we incur in connection with the proper performance of our duties in respect of a Fund.

Amendment of a Fund's constitution is subject to both the Corporations Act and the terms of the constitution itself.

16.5 Compliance plan

In accordance with the requirements of the Corporations Act and ASIC policy, each Fund has a Compliance Plan. The Compliance Plan sets out the measures we will take to ensure we comply with the Corporations Act and the constitution of a Fund. To oversee compliance with the Compliance Plan, we have established a Compliance Committee.

The Compliance Committee is required to report breaches of a Fund constitution and the Corporations Act to the directors of BlackRock, and in some circumstances, to ASIC.

A copy of each Fund's Compliance Plan is available free of charge by contacting BlackRock (refer to page 3 of this PDS for contact details).

16.6 Auditor

We have an obligation under the Corporations Act to appoint an auditor for each Fund and each Fund's Compliance Plan.

16.7 Custody

J.P. Morgan Chase Bank, N.A. Sydney Branch has been appointed as custodian for the Funds. The role of a custodian is limited to holding assets of the Funds on behalf of BlackRock and acting in accordance with express instructions from BlackRock (except in limited circumstances where the custodian is obliged to act without express instructions per the terms of the agreement).

BlackRock remains liable to Unitholders for acts and omissions of the custodian. A custodian has no supervisory obligation to ensure that BlackRock complies with its obligations as Responsible Entity of the Funds.

The custodian may change from time to time but must satisfy any relevant regulatory requirements as mentioned above. If you require details of our custodian at any time, you should contact BlackRock (refer to page 3 of this PDS for contact details).

16.8 Registrar

We have appointed Computershare Investors Services Pty Limited (Computershare) as the registrar for the Funds. Computershare is responsible for the maintenance of Unitholder records such as quantity of securities held, tax file number and details of participation in the DRP.

Computershare has given and, as at the date hereof, has not withdrawn its written consent to be named as the Registrar in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this PDS other than being named as the Registrar for the Funds. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS. Refer to page 3 of this PDS for Computershare's contact details.

16.9 Market maker

Under the AQUA Rules, we have certain obligations in respect of each Fund to ensure the development of an orderly and liquid market in a Fund. Designated market makers are the dealers or brokers permitted by the ASX to act as such by making a market for the Units in the secondary market on the ASX.

Various other market makers may also be active in maintaining liquidity in a Fund by acting as buyer and seller in the secondary market.

Market makers enter into agreements with the ASX and ETF issuers to act as a market maker and must have the necessary skill and expertise to perform a market making function. The designated market maker appointed by BlackRock in respect of each Fund has the experience to meet the requirements of the AQUA Rules and already acts as a market maker for ASX quoted ETFs. Generally, the appointed designated market maker will also have experience of trading ETFs on other global exchanges. BlackRock may change its appointed designated market maker from time to time.

Each day a Fund's portfolio composition file is published, which provides details of the securities that make up a Unit Creation/Redemption Basket.

Market makers apply a bid and ask spread to a Fund's NAV Price and publish these prices on the exchange, and to the extent required by the market making agreements entered into with the ASX and BlackRock and as trading orders are submitted, continuously update the prices throughout the trading day.

Market makers are well positioned to assess the likely value of each Fund and to provide prices throughout the day by, including but not limited to, subscribing to data services that provide intra-day offer prices for the underlying securities in a Fund's Index, deriving price information by analysing flows, and interacting with brokers and other market participants.

Units may be purchased from and sold through market makers. However, there is no guarantee or assurance as to the price at which a market will be made.

16.10 Conflicts of interest and related party information

The Responsible Entity is a member of the BlackRock Group. BlackRock uses a global service delivery model across the BlackRock Group to deliver superior outcomes to its clients. In the delivery of functions, powers and duties to clients, we use multiple entities of the BlackRock Group (in addition to the Responsible Entity). For example, global order routing entails the use of multiple trading desks located in various regions and the use of global centres of excellence allows certain related parties to specialise in functions such as investment operations and portfolio management. Even though we use offshore related parties, the Responsible Entity has systems and procedures in place as the holder of an Australian financial service licence to monitor and supervise the services provided by our related parties. The Responsible Entity remains responsible and liable for the acts and omissions of any related party.

The BlackRock Group participates in global financial markets in a number of different capacities. The Fund may invest or engage in transactions with entities for which the BlackRock Group may perform services and may act as the seed, lead or only investor in an underlying strategy or fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment in an underlying fund may allow the BlackRock Group to establish a track record for that fund that it is then able to sell to other clients. In addition, the Manager or persons associated with the Manager may invest in the Fund from time to time. All such transactions will be on an arm's length commercial basis.

In addition, certain members of the BlackRock Group may have actual and potential conflicts of interest regarding the allocation of investment opportunities amongst funds and products they manage. The BlackRock Group will seek to manage these conflicts in a fair and equitable manner having regard to the interests of their clients generally. As a responsible entity and the holder of an Australian Financial Services Licence, the Manager has policies and procedures in place to manage such conflicts of interest.

The investment choices of a BlackRock Group entity for its fund or client accounts may, at times, be restricted as a result of aggregation limits. For example, with respect to certain industries and markets, corporate and/or regulatory requirements may limit the aggregate amount of investment in certain issuers by affiliated investors. Exceeding these limits without reporting or the grant of a license, exemption or other corporate or regulatory consent may result in fines or other adverse consequences to the relevant BlackRock Group entity its funds and/or its clients. As a consequence of these limits, the ability of a fund or a client to achieve its investment objective may be affected. A BlackRock Group entity, in order to avoid exceeding these limits may, among other actions, limit purchases, sell existing investments and/or transfer, outsource or limit voting rights.

In circumstances where ownership thresholds or limitations must be observed, the BlackRock Group has established policies and procedures which seek to equitably allocate limited investment opportunities amongst the relevant BlackRock Group accounts.

16.11 Privacy policy

We collect your personal information for the primary purpose of establishing and administering your investments with us, communicating with you and providing you with access to protected areas of our websites. We also collect some personal information to meet our obligations, under the AML Legislation and the Corporations Act.

We use and disclose personal information to administer your investment, conduct product and market research, and deal with your concerns. We collect personal information through our interactions with you, as well as in some instances from your financial adviser or other authorised representative, your organisation, public sources and information brokers. BlackRock may take steps to verify information collected.

We are unable to process your application and provide you with the requested investment without your personal information. We ask that you advise us of any changes to the personal information you have provided. If you provide us with personal information about any other individuals (e.g. directors), you must ensure that they are aware of this privacy section.

A Privacy Policy setting out further details of our handling of personal information is available upon request or from our website at www.blackrock.com.au. The Privacy Policy contains information about how you can access and seek correction of your personal information, about how you can complain or enquire about breaches of your privacy and about how we will deal with your complaint or enquiry.

We may disclose your information to our related bodies corporate and to our service providers who assist us with, among other things, data storage and archiving, auditing, accounting, customer contact, legal, business consulting, banking, payment, data processing, data analysis, information broking, research, website and technology services. Your personal information may be disclosed to Australian and overseas regulatory authorities on reasonable request by those authorities. We may also disclose your information to external parties on your behalf, such as your financial adviser, unless you have instructed otherwise.

BlackRock operates as a global organisation and to this end functions generally operate from dedicated centres that also provide shared services around the globe. Typically, personal information collected in relation to an investment in our funds may be disclosed to our related body corporate located offshore currently in Singapore. Personal information (generally other than personal information held in relation to individual investors) may be held within applications on our portfolio management system or client relationship management system, which are potentially accessible, by our related body corporates in any country in which the BlackRock Group has an office. A list of those countries is available through a link found in our Privacy Policy. Key data is held at locations in Australia, the US and the United Kingdom, at either a BlackRock related party site or third party site.

We take reasonable steps to ensure that any recipients of your personal information do not breach the privacy obligations relating to your personal information.

We, BlackRock Inc and its related bodies corporate may use your information on occasion, to inform you by telephone, electronic messages (like email), online and other means, about other services or products offered by us or them. We may do this on an ongoing basis, but you may opt out at any time.

If you wish to opt out, update or request access to your information, obtain a copy of our Privacy Policy or raise any queries or concerns regarding privacy, you may contact our Privacy Officer by contacting our Client Services Centre (refer to page 3 of this PDS for contact details).

16.12 Complaints

We have established procedures for dealing with enquiries and complaints. If you are a Unitholder and have an enquiry or complaint, you can contact our Enquiries and Complaints Officer via our Client Services Centre (refer to page 2 of this PDS for contact details). If you make a complaint to us, the complaint will be acknowledged and steps will be taken to investigate your concerns. A final response will be provided within 45 days in accordance with our obligations.

If you have invested through an IDPS, superannuation fund or master trust and you have a complaint, you can contact the operator of such service, using the contact details they have provided. The operator of such service may respond to your complaint in accordance with processes that are different to those set out in this document. Alternatively, you can contact our Enquiries and Complaints Officer via our Client Services Centre.

BlackRock is a member of the Australian Financial Complaints Authority (**AFCA**), an independent complaint resolution body. If your complaint is not addressed within 45 days from the date it was received, or you are not satisfied with our response, you may refer your complaint to AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers. AFCA can be contacted by:

- Telephone: 1800 931 678 (free call)
- Mail: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001
- Email: info@afca.org.au
- Website: www.afca.org.au.

For the hearing and speech impaired, AFCA can be contacted by either:

- National Relay Service: www.relayservice.com.au;
- TTY/Voice Calls: 133 677 (local); or
- Speak & Listen: 1300 555 727 (local).

16.13 ASIC relief

Equal treatment relief in relation to withdrawals

BlackRock relies upon the relief granted by ASIC in ASIC Class Order [CO13/721] from the equal treatment requirement in section 601FC(1)(d), to the extent necessary to permit the Responsible Entity to not treat Unitholders equally to the extent that it restricts the redemption of Units by Authorised Participants as described in this PDS. For the purposes of this relief, except in exceptional circumstances outlined below, it is important to note that only Authorised Participants are able to redeem Units in each Fund, but other Unitholders may sell their Units on ASX.

Unitholders, including non-Authorised Participant Unitholders, may withdraw from a Fund directly where units in that Fund have been suspended from trading on ASX for a period of five consecutive trading days (refer to the section of this PDS titled “Redemption rights of non-Authorised Participant Unitholders” for further information).

Ongoing disclosure relief

Under ASIC Class Order [CO13/721], ASIC has granted relief from the ongoing disclosure requirements in section 1017B on condition that BlackRock complies with the continuous disclosure requirements in section 675 of the Corporations Act as if each Fund were an unlisted disclosing entity.

Declaration – Relevant Interest

The below relates to the iShares Core S&P/ASX 200 ETF, iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF and iShares S&P/ASX Small Ordinaries ETF.

ASIC Class Order [CO13/721] modifies section 609 of the Corporations Act, to ensure that the ability to lodge a Unit redemption request by an Authorised Participant does not by itself give rise to that Authorised Participant holding a relevant interest in the securities held by a Fund for the purposes of the takeovers provisions of Chapter 6 and the substantial holding provision of Chapter 6C of the Corporations Act.

This ASIC relief only applies while a Fund’s Units are able to be traded on the ASX and will not apply once an Authorised Participant has made a Unit redemption request in respect of any Fund Units it holds.

This ASIC relief applies to the aforementioned Funds, which, at the date of this PDS employ an investment strategy the implementation of which would not be likely to lead to the scheme property of the Fund including securities in a class of securities that:

- would represent more than 10% by value of scheme property; and
- were, or would result in the Responsible Entity having a relevant interest in, securities in a listed company; an unlisted company with more than 50 members; a listed body that is formed or incorporated in Australia; or a listed scheme.

For the purposes of this ASIC relief, we confirm that the investment strategy for each Fund is to make investments that are expected to result in the value of a Fund Unit changing in proportion to the value of the Fund’s Index, ignoring the effect of fees and expenses in relation to the Fund.

Periodic statements

BlackRock relies upon the relief granted by ASIC in ASIC Class Order [CO13/1200]. Under this relief if BlackRock is not aware of the price at which a Unitholder bought or sold Units on the ASX, periodic statements are not required to include details of the transaction price, nor the return on investment during the reporting period, provided that BlackRock is not able to calculate the return on investment and the periodic statement explains why this information is not included and describes how it can be obtained or calculated.

Periodic statements include the date on which the Unitholder bought or sold the Units, the number of Units transacted and an explanation why the price per Unit and total dollar value is not included.

16.14 Index provider disclaimers

S&P

The iShares Core S&P/ASX 200 ETF, iShares S&P/ASX 20 ETF, iShares S&P/ASX Dividend Opportunities ETF are not sponsored, endorsed, sold or promoted by Standard & Poor's and its affiliates (S&P) or by ASX Operations Pty Limited and its affiliates (ASX). S&P and ASX make no representation, condition or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in securities generally or in the Funds particularly or the ability of the relevant Index to track the performance of certain financial markets and/or sections thereof and/or of groups of assets or asset classes. S&P's and ASX’s only relationship to BlackRock Institutional Trust Company, N.A is the licensing of certain trademarks and trade names and of the Index which is determined, composed and calculated by S&P without regard to BlackRock Institutional Trust Company, N.A, BlackRock Investment Management (Australia) Limited or the Funds. S&P and ASX have no obligation to take the needs of BlackRock Institutional Trust Company, N.A, BlackRock Investment Management (Australia) Limited or the owners of the Funds into consideration in determining, composing or calculating the Index. S&P and ASX are not responsible for and have not participated in the determination of the prices and amount of the Funds or the timing of the issuance or sale of the Funds or in the determination or calculation of the equation by which the Funds' units are to be converted into cash. S&P and ASX have no obligation or liability in connection with the administration, marketing, or trading of the Funds.

S&P and ASX do not guarantee the accuracy and/or the completeness of the relevant Index or any data included therein and S&P and ASX shall have no liability for any errors, omissions, or interruptions therein. S&P and ASX make no warranty, condition or representation, express or implied, as to results to be obtained by BlackRock Institutional Trust Company, N.A, BlackRock Investment Management (Australia) Limited, owners of the Funds, or any other person or entity from the use of the relevant Index or any data included therein. S&P and ASX make no express or implied warranties, representations or conditions, and expressly disclaim all warranties or conditions of merchantability or fitness for a particular purpose or use and any other express or implied warranty or condition with respect to the relevant Index or any data included therein. Without limiting any of the foregoing, in no event shall S&P and ASX have any liability for any special, punitive, indirect, or consequential damages (including lost profits) resulting from the use of the relevant Index or any data included therein, even if notified of the possibility of such damages.

MSCI

The iShares Edge MSCI Australia Minimum Volatility ETF and iShares Edge MSCI Australia Multifactor ETF are not sponsored, endorsed, sold or promoted by MSCI or any affiliate of MSCI. Neither MSCI nor any other party makes any representation or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in funds generally or in the Funds or the ability of the Indexes to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of the MSCI Indices, which is determined, composed and calculated by MSCI without regard to the issuer of the Funds or the Funds. MSCI has no obligation to take the needs of the issuer of the Funds or the owners of the Funds into consideration in determining, composing or calculating the Indexes. MSCI is not responsible for, and has not participated in, the determination of the timing of, prices at, or quantities of the Funds to be issued or in the determination or calculation of the equation by which the Funds are redeemable for cash. Neither MSCI nor any other party has any obligation or liability to owners of the Funds in connection with the administration, marketing or trading of the Funds.

ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION IN OR FOR USE IN THE CALCULATION OF THE INDEXES FROM SOURCES WHICH MSCI CONSIDERS RELIABLE, NEITHER MSCI NOR ANY OTHER PARTY GUARANTEES THE ACCURACY AND/OR THE COMPLETENESS OF THE INDEXES OR ANY DATA INCLUDED THEREIN. NEITHER MSCI NOR ANY OTHER PARTY MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, LICENSEE'S CUSTOMERS AND COUNTERPARTIES, OWNERS OF THE FUNDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEXES OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE RIGHTS LICENSED HEREUNDER OR FOR ANY OTHER USE. NEITHER MSCI NOR ANY OTHER PARTY MAKES ANY EXPRESS OR IMPLIED WARRANTIES, AND MSCI HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDEXES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MSCI OR ANY OTHER PARTY HAVE ANY LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

17. Glossary

ABN	means Australian Business Number.
AEOI	means the Automatic Exchange Of Information.
AFSL	means Australian Financial Services Licence.
AMIT, AMITs	means Attribution Managed Investment Trust(s).
AML Legislation	means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006.
AP Agreement	means an agreement between BlackRock and an Authorised Participant governing the creation and redemption of units in iShares ETFs.
Application Form	means the form accompanying this PDS that may be used in the submission of Unit creation/redemption requests by Authorised Participants.
AQUA Rules	means the ASX Operating Rules that apply to AQUA products and AQUA trading.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited and its affiliates.
ATO	means the Australian Tax Office.
AUM	means assets under management.
Authorised Participant	means a person who is a wholesale client as described in section 761G of the Corporations Act and who has entered into a relevant Authorised Participant Agreement.
BlackRock Group	means BlackRock Inc and its subsidiary and affiliated entities collectively.
BlackRock Inc	means BlackRock, Inc.®.
BlackRock, Responsible Entity, Issuer, Manager, we, our or us	means BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 (Australian financial service licence number 230523).
Business Day	means that days on which a Fund is open for Unit creation and redemption requests, as defined in the Operating Procedures.
CGT	means capital gains tax.
CHESS	means the Clearing House Electronic Subregister System operated by ASX Settlement and another ASX subsidiary.
Compliance Committee	means the BlackRock compliance committee established to oversee each Fund's compliance with the Compliance Plan.
Compliance Plan	means the compliance plan of each Fund.
Computershare	means Computershare Investors Services Pty Limited ACN 078 279 277.
Corporations Act	means the Corporations Act 2001 (Cth).
CRS	means the Common Reporting Standards, a single global standard on the AEOI.
Cut-off Time	means the deadline by which BlackRock must receive Unit creation or redemption requests, as defined in the Operating Procedures.
DRP	means the distribution reinvestment plan for the Funds, as described in the section of this PDS titled "Distribution reinvestment plan".
DRP Rules	means the terms and conditions of the DRP Plan.
ETF, ETFs	means exchange traded fund(s).
FATCA	means the Foreign Account Tax Compliance Act.
FOS	means the Financial Ombudsman Service.
Fund, Funds	means, as applicable, iShares Core S&P/ASX 200 ETF, iShares Edge MSCI Australia Minimum Volatility ETF, iShares Edge MSCI Australia Multifactor ETF, iShares S&P/ASX 20 ETF, iShares S&P/ASX Dividend Opportunities ETF, and/or iShares S&P/ASX Small Ordinaries ETF.
GIMI	means the MSCI Global Investable Market Indexes.
GST	means Goods and Services Tax.

IGA	means the intergovernmental agreement between the US and Australia to implement FATCA in Australia.
Index, Indexes	means, as applicable, MSCI Australia IMI Select Minimum Volatility Index, MSCI Australia IMI Diversified Multiple-Factor Index, S&P/ASX 20 Total Return Index, S&P/ASX 200 Total Return Index, S&P/ASX Dividend Opportunities Total Return Index and/or S&P/ASX Small Ordinaries Total Return Index.
IWF	means Investable Weight Factor, the "float factor" assigned to issues in the indexes issued by S&P.
MIT, MITs	means managed investment trust(s).
Model	means either the minimum volatility model or multi-factor model applied to the Parent Index to create the MSCI Australia IMI Select Minimum Volatility Index and MSCI Australia IMI Diversified Multiple-Factor Index.
MSCI	means MSCI Inc. and its affiliates.
NAV	means net asset value.
NAV Price	means the NAV of a Fund divided by the number of Units on issue in that Fund.
Non-Standard Creation Basket	means any Unit creation basket of securities that includes cash in lieu of omitted securities and, if applicable, a cash amount representing any residual cash.
Non-Standard Redemption Basket	means any Unit redemption basket of securities that includes cash in lieu of omitted securities and, if applicable,
Non-Standard Transaction	means any Unit create/redeem request by way of Non-Standard Creation Basket, Non-Standard Redemption Basket or cash only.
OECD	means the Organisation for Economic Co-operation and Development.
Operating Procedures	means the iShares Authorised Participant Operating Procedures, as amended from time to time.
OTC	means over the counter.
Parent Index	means the MSCI Australia IMI Index.
PDS	means this product disclosure statement dated 11 December 2020 and any supplementary or replacement product disclosure statement in relation to this document.
Registrar	means the registrar of the Funds, as appointed by BlackRock, being Computershare.
S&P	means S&P Dow Jones Indices LLC and its affiliates.
Tax Law	means the Income Tax Assessment Act 1936 (Cth), Income Tax Assessment Act 1997 (Cth), the Taxation Administration Act 1953 (Cth) and any relevant regulations, rulings or judicial or administrative pronouncements.
TFN	means Tax File Number.
TOFA	means Taxation of Financial Agreements.
Unit	means an undivided share in the beneficial interest in the assets of a Fund as described in this PDS.
Unitholders	means a person holding Units in a Fund.
US	means United States of America.

Vanguard

Prospectus | 10 July 2020

Vanguard US Total Market Shares Index ETF
ASX Code: VTS

Contents

Important notice

Trading Participants

Please note that the offer in this Prospectus is for stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the Australian Securities Exchange (ASX) Operating Rules (Eligible Investor). For that reason, certain sections of this Prospectus (particularly those relating to purchases and redemptions of the Vanguard Total Stock Market ETF (US ETF) are of direct relevance to such persons only.

All other investors

Other investors cannot invest through this Prospectus directly, but can transact in the Vanguard US Total Market Shares Index ETF through a stockbroker or financial adviser. Other investors can use this Prospectus for informational purposes only. For further details on Vanguard Exchange Traded Funds (ETFs) please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

This Prospectus does not constitute an offer or invitation in any jurisdiction other than in Australia. For the avoidance of doubt, Vanguard US Total Market Shares Index ETF securities are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

Vanguard ETF Capital Markets Team
10:00 am to 5:00 pm (AEDT/AEST)
Monday to Friday
Telephone: 1300 655 888
Facsimile: 1300 765 712
E-mail: etf@vanguard.com.au

ASX enquiries
Telephone 131 279 (within Australia)
Telephone +61 2 9338 0000 (outside Australia)

Registered office
Level 13
130 Lonsdale Street
Melboune Vic 3000

Postal address
GPO Box 3006
Melbourne Vic 3001

Website
www.vanguard.com.au

Features at a glance

Full name	Vanguard US Total Market Shares Index ETF
ASX code	VTS
SEDOL	B42HLM5
ISIN	AU000000VTS1
Management Costs[1]	0.03% p.a.
Structure	CDI : CHESS Depositary Interest
Objective	Track the performance of the benchmark Index
Index	CRSP US Total Market Index
Listing location	ASX
Commencement date	8 May 2009
Prospectus date	10 July 2020
Expiry date	10 August 2021
AQUA product issuer	Vanguard Investments Australia Ltd
Fund manager	The Vanguard Group, Inc.
Share registry	Computershare Investor Services Pty Limited
Holder of underlying ETFs	CHESS Depositary Nominees Pty Limited
Risks	Market, index sampling, currency, trading and liquidity, regulatory and tax.
Transactions (primary market)	Via an Authorised Participant in the US
Creation unit[2]	Please refer to the latest Statement of Additional Information (SAI)
Transaction fee[3]	Please refer to the latest SAI
Transactions (secondary market)[4]	Available on the ASX; required to have a brokerage account.
Distribution	Quarterly: March, June, September and December
Distribution payable	Australian dollars, within 20 business days following the record date
Distribution reinvestment plan	Not available
Taxation	Capital gains or ordinary income, foreign sourced income and US withholding and US estate tax may be applicable depending on the circumstance of the investor.
Regulated Investment Company status	Qualifies as at the date of this Prospectus
Documents incorporated by reference	US Prospectus and SAI (and documents that update the US Prospectus and SAI, as lodged with ASIC from time to time).
Key contact	Vanguard ETF Capital Markets Team on 1300 655 888

1 Refer to the section ‘Fees and expenses’.
2 US ETF Securities are issued and redeemed in large blocks known as creations units to Authorised Participants only. Refer to section ‘3. How to transact with Vanguard’.
3 This amount is only paid by Authorised Participants purchasing or redeeming US ETF units. Individual investors do not pay this amount for sales or purchases through their broker.
4 Investors buying or selling CDIs on the ASX may incur brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

Disclaimers

An investment in the Vanguard US Total Market Shares Index ETF is subject to risk, (refer to section 2. “Risks”), which may include possible delays in repayment and loss of income and capital invested.

None of VGI, including Vanguard or their related entities, directors or officers, gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested, in the Vanguard US Total Market Shares Index ETF described in this Prospectus. VGI, its related entities and associates may invest in, lend to or provide other services to the Vanguard US Total Market Shares Index ETF.

This Prospectus is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard’s associates or any other person to invest in the Vanguard US Total Market Shares Index ETF. In preparing this Prospectus, Vanguard did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider (with or without the advice or assistance of an adviser) whether an investment in the Vanguard US Total Market Shares Index ETF is appropriate to their needs, objectives and circumstances.

Vanguard has sufficient working capital to enable it to operate the Vanguard US Total Market Shares Index ETF as outlined in this Prospectus.

About this Prospectus

This Prospectus is for the Vanguard US Total Market Shares Index ETF and is dated 10 July 2020.

Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 (Vanguard) is the issuer of this Prospectus on behalf of the Vanguard Total Stock Market Index Fund (US Fund), a series of Vanguard Index Funds (a Delaware Statutory Trust).

The Vanguard Group, Inc. (VGI) is the US parent company of Vanguard.

In this Prospectus references to 'Vanguard', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC) in accordance with section 718 of the *Corporations Act 2001 (Cth) (Corporations Act)* and with the ASX Limited (ASX). Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus.

The Vanguard US Total Market Shares Index ETF is the name given to the Clearing House Electronic Subregister System (CHESS) Depositary Interests (CDIs) that are quoted under the AQUA Rules of the ASX (refer to page 9 for further details on CDIs). These CDIs facilitate the buying and selling of exchange traded shares in the US Fund (US ETF Securities) on the ASX. CDIs are 'securities' for the purpose of the *Corporations Act*.

Unless otherwise stated, data sources used within this prospectus by Vanguard or VGI are public or licensed market data and all material is current as at the date of this Prospectus.

A copy of this Prospectus for the Vanguard US Total Market Shares Index ETF, the prospectus for the US ETF Securities (US Prospectus) and the US Fund's Statement of Additional Information (SAI) are available on Vanguard's website at www.vanguard.com.au. If you do not have access to the internet, please contact Vanguard ETF Capital Markets Team on 1300 655 888. A paper copy will be provided free of charge on request.

Information available from Vanguard

To keep investors informed, Vanguard, in its capacity as the AQUA product issuer of the Vanguard US Total Market Shares Index ETF, will provide regular reporting and disclosure through the ASX Market Announcements Platform and Vanguard's website. The following information can be obtained by visiting Vanguard's website at www.vanguard.com.au or by contacting Vanguard ETF Capital Markets Team on 1300 655 888:

- Details of the Net Asset Value (NAV) for the ETF - available monthly
- Details of the NAV price per unit for the ETF- available daily
- Pricing Basket - available daily
- A copy of this Prospectus (and any documents which may amend or update the Prospectus)
- Details of any continuous disclosure notices given by Vanguard to the ASX and/or ASIC
- Details of distribution announcements given by Vanguard to the ASX via the ASX Market Announcements Platform ("ASX MAP")
- Annual and half yearly financial reports for the US Fund
- Total number of ETF securities on issue – monthly via ASX MAP

1. Key features of the ETF offer

Offer to Eligible Investors

Through this Prospectus, Vanguard gives Eligible Investors the opportunity to convert US ETF Securities into CDIs to allow trading of interests in the US ETF Securities on the secondary market in Australia. Eligible Investors, as referred to in this Prospectus, cannot directly purchase or redeem US ETF Securities with the US Fund. Only institutions that are Authorised Participants in the US can purchase or redeem US ETF Securities. Therefore, Eligible Investors will be required to engage counterparts in the US that are Authorised Participants for the purchase and redemption of US ETF Securities (refer to page 111 for more details on the purchase and redemption process).

Continuous offer and expiry date

The offer of CDIs is a continuous offer which remains open until 10 August 2021 (the Expiry Date) being 13 months after the date of this Prospectus. CDIs will not be offered, issued or transferred on the basis of this Prospectus after 10 August 2021.

The ETF offered in this Prospectus is:

Fund name	Investment objective	Underlying Index	Management costs*
Vanguard US Total Market Shares Index ETF ASX code: VTS	Seeks to track the performance of a benchmark index that measures the investment return of the overall US stock market.	The CRSP US Total Market Index, represents approximately 100%of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks.	0.03% p.a.

* Refer to the section 'Fees and expenses'.

The CRSP US Total Market Index was not created by, and is not managed by, a related body corporate of Vanguard.

The Vanguard US Total Market Shares Index ETF referred to in the above table is the name given to the CDIs that are quoted under the AQUA Rules of the ASX (refer to page 8 for further details on CDIs). CDIs facilitate the buying and selling of US ETF Securities issued by the US Fund. The US ETF Securities are listed on NYSE Arca (a subsidiary of NYSE Euronext).

The information in the table above is referenced from the US Prospectus for the US ETF Securities. For further information regarding the investment objectives and the fees and expenses, please refer to the US Prospectus.

Additional information about the CRSP US Total Market Index

The following table sets out additional information about the CRSP US Total Market Index:

Eligibility criteria	Listed equity securities, including common stocks of US-incorporated or US-headquartered companies (including REITs) traded on the NYSE, NYSE American, NASDAQ, ARCA, Cboe or IEX exchanges.
Weighting methodology	Full market capitalisation adjusted for free float before inclusion in the index.
Construction methodology	Rules-based. This means that there are specific objective eligibility criteria (i.e. rules) that determine which securities are included in the index and the weightings of the securities included in the index.
Rebalancing methodology	Quarterly rebalancing with security migration subject to "packeting".
Liquidity requirements	Total market capitalisation greater than $10 million, float shares greater than 12.5% (10% for Fast Track IPOs) of total shares, trading volume requirements and a security must not have ten sequential days without trading volume.

For further information regarding the benchmark index values, returns and methodology please refer to CRSP's website http://www.crsp.org/indexes-pages/crsp-us-equity-indexes-methodology-guide

Performance

Monthly performance information for the ETF and historical performance relative to the Index will be published on Vanguard's website at www.vanguard.com.au. Neither the return of capital nor the performance of the ETF is guaranteed. Past performance is not an indication of future returns.

Fees and expenses

The following table sets out the fees and expenses of the US ETF Securities at the date of this Prospectus:

Vanguard ETF	Vanguard US Total Market Shares Index ETF
US ETF Security	Vanguard Total Stock Market ETF
Management fees	0.02%
Distribution fee	None
Other expenses	0.01%
Total annual fund operating expenses* (Management Costs)	0.03%

* Management Costs are deducted from the assets of the US Fund

Management Costs are expressed as a percentage of the US ETF Securities' average net assets during the relevant period. Management Costs include management expenses, such as advisory fees, account maintenance, reporting, accounting, legal, and other administrative expenses and any distribution fees. They do not include the transaction costs of buying and selling portfolio securities.

As Management Costs are expressed as a percentage of the average net assets of the US ETF Securities and the value of those assets may change over time, the actual Management Costs for a period may be higher or lower than shown in the table above. For additional information about Fees and Expenses of the US ETF Securities, please see the US Prospectus.

Investors buying or selling CDIs on the ASX may incur customary brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

What is an ETF?

An ETF is an Exchange Traded Fund, which is quoted for trading under the AQUA Rules of the ASX (in this case, it is the CDIs that are quoted for trading under the AQUA Rules of the ASX). Generally, these exchange traded funds comprise broadly diversified investment portfolios of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

ETFs seek to combine the best features of index managed funds and listed shares in one investment. Vanguard ETFs come with the benefits of low cost, broad diversification, transparency and tax efficiency due to low turnover of the underlying securities. However, unlike traditional index funds which are priced only once per day, ETF securities trade on a stock exchange so they can be bought and sold at any time during the trading day at prevailing market prices. ETFs carry certain risks (refer to the section '2. Risks' for further details).

Who is Vanguard?

Vanguard Investments Australia Ltd ("Vanguard") is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world's largest global investment management companies, with more than AUD $8.6 trillion in assets under management as of 31 March 2020. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 years.

Who is involved in the ETF process?

The role of Vanguard is to be the issuer of the cross-listed US ETF Securities, via CDIs, into the Australian market (refer to page 9 for further details). To accomplish this, Vanguard has entered into an Intermediary Authorisation Agreement with VGI. Neither the US Fund nor VGI hold an Australian Financial Services Licence (AFSL).

Other roles of Vanguard are to:

- contract with relevant parties in Australia to ensure that the CDIs are properly created for the Australian market;
- contract with an appropriate share registry to ensure that the relevant investor details are maintained in regard to the CDIs that are quoted under the AQUA Rules of the ASX; and
- help maintain an efficient trading market by assigning at least one market maker.

VGI, either itself or through a subsidiary, will manage the investments of the US Fund and process the creation and redemption orders of the US ETF Securities in the US.

The US ETF Securities are held by Depository Trust Company (DTC) which is a limited purpose trust company that was created in the US to hold the securities of its participants (refer to page 9 for further details).

Computershare Trust Company, N.A. (a DTC Participant) has entered into a Custody Agreement with CHESS Depositary Nominees Pty Limited (CHESS Depositary Nominees), such that CHESS Depositary Nominees becomes the holder of the underlying US ETF Securities that will be cross-listed into the Australian market.

Computershare Investor Services Pty Limited (Computershare) has been engaged by Vanguard under a Share Registry Agreement to maintain the Australian register of CDI holders and provide services to investors (including facilitating payment of any distributions) in relation to their CDI holdings. Computershare keeps investor records including the quantity of securities held by an investor and how the securities are held. Computershare's role is to also facilitate the transfer of US ETF Securities, created in the US, for transacting in Australia.

Contact details

Product issuer	Share registrar
Vanguard Investments Australia Ltd Level 13 130 Lonsdale Street, Melbourne Vic 3000	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067

Quotation under the AQUA Rules of the ASX

The AQUA market service aims to provide managed funds, ETFs and structured products (collectively referred to as ETPs) with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement.

The key distinction between products admitted under the ASX Listing Rules and those quoted under the ASX AQUA Rules is the level of influence that the issuer has over the underlying instrument. See table below for the main differences between the ASX Listing Rules and the ASX AQUA Rules:

ASX Listing Rules	ASX AQUA Rules
The equity issuer: ▪ Controls the value of its own securities and the business it runs; and ▪ The value of those securities is directly influenced by the equity issuer's performance and conduct. For example, a company's management and Board generally control the company's business and, therefore, have direct influence over the company's share price.	The AQUA Product issuer: ▪ Does not control the value of the assets underlying its products but; ▪ Offers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities. The value (or price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. For example, an ETP issuer does not control the value of the securities it invests in.

Source: ASX Rules Framework (2011)

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the AQUA Rules.

Information	ASX Listing Rules	ASX AQUA Rules
Continuous disclosure	▪ Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act*	▪ Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act.* ▪ There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. What obligations apply under the AQUA Rules? ▪ There is an obligation on issuers of ETFs to disclose information about the NAV of the ETFs daily via either the ASX MAP or issuer's website (as specified in the ETFs' Product Disclosure Statement). ▪ Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via ASX MAP. ▪ Any other information that is required to be disclosed to ASIC under section 675 of the *Corporations Act* must be disclosed to the ASX via ASX MAP at the same time it is disclosed to ASIC.

Periodic disclosure	▪ Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	▪ Responsible entities of AQUA Products that are ETFs are still required to lodge with ASIC financial reports under Chapter 2M of the *Corporations Act*. Under the AQUA Rules, the Responsible Entity must disclose these financial reports to the ASX at the same time as lodgement with ASIC. ▪ Issuers of ETFs must disclose the total number of ETF Securities on issue via ASX MAP within 5 business days of the end of each month.
Corporate control	▪ Requirements in the *Corporations Act* and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes.	▪ Certain requirements in the *Corporations Act* and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. ▪ Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	▪ Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	▪ Chapter 10 of the Listing Rules does not apply to AQUA Products. ETPs that are registered managed investment schemes are subject to Chapter 2E and Part 5C.7 of the Corporations Act.
Auditor rotation obligations	▪ There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the *Corporations Act*.	▪ Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the *Corporations Act.* ▪ Responsible entities of registered managed investment schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the *Corporations Act* and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm).
Product disclosure	▪ Entities admitted under the Listing Rules are subject to the requirements of the *Corporations Act* in relation to the issue of a PDS or prospectus. ▪ Information on the risks associated with an investment in a product is expected to be included.	▪ Products quoted under the AQUA Rules will also be subject to these requirements of the *Corporations Act.* ▪ Investors should read the PDS or prospectus carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.

Source: ASX Rules Framework (2011) and ASX Operating Rules

Market Maker

The AQUA Rules contain certain market making requirements. A market maker's role is to satisfy supply and demand for CDIs. They do this by fulfilling two key functions:

- Providing liquidity to the market by providing continuous bid and ask prices and acting as the buyer and seller of CDIs throughout the day; and
- Applying to convert additional CDIs, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The process begins with the issuer distributing a net asset value for the US ETF Security to the market every day, allowing market makers to price the CDI. Market makers use this information to determine the price of CDIs and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

The market maker(s) that Vanguard has appointed for the Vanguard US Total Market Shares Index ETF, have been selected on the basis of their experience in trading and market making in both Australia and international markets. Most importantly, the firm(s) selected by Vanguard currently make markets on the ASX in existing Australian quoted ETF products and may have agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. The market makers selected (or their offshore affiliates) may also have global experience in trading exchange traded fund securities in other markets, such as the New York Stock Exchange. Vanguard may change the lead market maker or appoint additional market makers.

CHESS Depositary Interests (CDIs)

Investors in the Vanguard US Total Market Shares Index ETF offered in this Prospectus will hold a CDI rather than a US ETF Security. CDIs are Australian financial instruments designed to give its holders rights and entitlements (i.e. a beneficial interest) in relation to holding foreign financial products, such as the US ETF Securities. A Depositary Nominee holds title on behalf of CDI holders. In the case of the US ETF Securities, the nominee is CHESS Depositary Nominees Pty Limited (CDN), who is the holder of the AFS License 254 514 and is an approved participant in the clearing and settlement facility operated by ASX Settlement Pty Limited.

CDI holders are not holders of the US ETF Security. Some entitlements accrue to holders of US ETF Securities directly such as voting rights and corporate actions. This can alter the entitlements of a CDI holder. The ratio of CDI's to corresponding US ETF Securities is one-to-one.

In relation to *voting*, if a meeting of holders of US ETF Securities is convened, each holder of CDIs will be given notice of the meeting. The notice will include a form permitting the CDI holder to direct the Depositary Nominee to cast, authorise or arrange the casting of, proxy votes in accordance with the CDI holder's written directions. Only holders of US ETF Securities (as shown on DTC records or DTC Participant records) or their proxies can vote at meetings of holders of US ETF Securities.

In relation to *corporate actions* all economic benefits such as dividends, bonus issues, rights issues, capital reconstructions or similar corporate actions must flow through to CDI holders under the ASX Settlement Operating Rules. However, there may be differences from the entitlements you would receive if you held the US ETF Securities directly, for example, there may be rounding of entitlements where the depository nominee's holding is treated as a single holding rather than holdings corresponding to the interests of CDI holders. The US ETF Securities are not subject to corporate takeovers.

CDIs may be held in uncertificated form on either the Issuer Sponsored Subregister or the CHESS Subregister, which together make up the Australian CDI Register (maintained by Computershare).

For more information on CDI's generally, please refer to CDN's guidance note. Understanding CHESS Depository Interests and ASIC's MoneySmart website (www.moneysmart.gov.au).

CDI Holders interested in converting existing CDI's into US ETF Securities should contact Computershare on 1300 757 905.

Depository Trust Company (DTC)

The DTC, a limited-purpose trust company, was created in the US to hold securities of its participants (DTC Participants) and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic book entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of share certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations.

2. Risks

Investors in the Vanguard US Total Market Shares Index ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment in ETFs could lose money over short or even long periods.

The price of an ETF can fluctuate within a wide range, like fluctuations of the overall stock market. When considering an investment in the Vanguard US Total Market Shares Index ETF, personal tolerance for fluctuating market values should be taken into account. There is no guarantee that the value of investment capital will be maintained.

The principal risks described in the US Prospectus for the US ETF Security are:

- ETF trading risks
- Stock market risk
- Index sampling risk

The above risk descriptions also apply to the Vanguard US Total Market Shares Index ETF. Prospective investors should read and consider these risks in the US Prospectus (as well as the additional risks identified below) before making an investment decision. Additional risks specific to the offer in Australia are detailed below:

Currency risk

Fluctuations in the value of the Australian dollar versus foreign currencies can affect the returns from overseas investments. This is because losses or gains must be converted back into Australian dollars.

The Vanguard US Total Market Shares Index ETF offered in this Prospectus does not hedge any of its exposure to foreign currencies.

A weaker Australian dollar increases the value of investments held in non-Australian dollars and therefore benefits the Australian investor holding non-Australian dollar denominated assets, such as international shares. Conversely, if the value of the Australian dollar rises, the value of investments held in non-Australian dollar denominated assets will fall.

Fluctuations in the exchange rate between when a distribution is paid on the US ETF Security and when these distributions are converted into Australian dollars by Computershare for holders of CDIs can also result in foreign currency gains and losses arising for holders of CDIs. This is discussed in further detail in the section 'Distributions'.

Regulatory and tax risk

This is the risk that a government or regulator may introduce regulatory and tax changes or a court makes a decision regarding the interpretation of the law that affects the value of securities in which the US Fund invests, the value of the interests in the Vanguard US Total Market Shares Index ETF, or the tax treatment of the investment in the Vanguard US Total Market Shares Index ETF.

The US Fund may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by Vanguard and action is taken, where appropriate, to facilitate the achievement of the Vanguard US Total Market Shares Index ETF's objectives.

Please refer to the section '4. Investor taxation' for information about the tax impacts for the offer in Australia.

Trading and liquidity risk

In certain circumstances, the ASX and/or other exchanges may suspend the trading of CDIs and therefore investors will not be able to buy or sell the CDIs on the ASX.

The ASX also imposes certain requirements for the Vanguard US Total Market Shares Index ETF to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the Vanguard US Total Market Shares Index ETF remains quoted.

There can be no assurances that there will always be a liquid market for securities quoted under the AQUA Rules of the ASX. Vanguard has appointed a market maker to assist in maintaining liquidity for the Vanguard US Total Market Shares Index ETF on the ASX, but there is no guarantee that the market maker will be able to maintain liquidity.

The net asset value of the US ETF Securities may differ from the trading price of the CDIs on the ASX. The trading price is dependent on a number of factors including the demand and supply of the CDIs, investor confidence and how closely the value of the assets of the US Fund tracks the performance of the index.

3. How to transact with Vanguard

Eligible Investors

To convert US ETF Securities to CDIs (and vice versa), an Eligible Investor can contact an Authorised Participant to purchase or redeem US ETF Securities. Interests in the US Fund are issued and redeemed in large blocks known as creation units. To purchase or redeem a creation unit, you must either be an Authorised Participant or trade through a broker that is an Authorised Participant. An Authorised Participant is a participant in the Depository Trust Company (DTC) that has executed a Participant Agreement with VGI.

The Authorised Participant will then arrange for the purchase or redemption of US ETF Securities with the US Fund. The US ETF Securities issued by the US Fund will be held by Computershare Trust Company, N.A. on behalf of the Eligible Investor (in the name of CHESS Depositary Nominees). The equivalent value of CDIs (1 US ETF Security for 1 CDI) will then be issued to the Eligible Investor.

Please note that transaction fees may apply to Eligible Investors in Australia when the Authorised Participant purchases or redeems US ETF Securities. These costs are negotiable directly with the relevant Authorised Participants.

For further details on the number of US ETF Securities in a creation unit and the transaction fee for the US ETF Securities, please refer to the latest SAI.

For further details on the purchase and redemption process, please contact Vanguard ETF Capital MarketsTeam on 1300 655 888 who can assist you with the process.

Other Investors - buying and selling ETFs on the secondary market

Investors who are not Eligible Investors can acquire, via the secondary market, CDIs of the US ETF Securities which are publicly traded via the ASX. To acquire a US ETF Security in the form of a CDI, investors will need to have a brokerage account.

When investors buy or sell CDIs on the secondary market, brokers may charge brokerage fees or commissions. Investors may also incur the cost of the 'bid/ask spread' which is the difference between the price at which the broker will purchase the security and the higher price at which the broker will sell the security. In addition, because the secondary market transactions occur at market prices, investors may pay more (premium) or less (discount) than the Net Asset Value when buying a CDI and receive more or less than the Net Asset Value when selling it.

Distributions

Distributions from the US Fund are generally calculated quarterly in March, June, September and December. Distributions may be paid at other times.

The distributions payable in respect of the CDIs quoted on the ASX will be declared and paid by the US Fund in US dollars, and converted by Computershare into Australian dollars prior to payment to holders of CDIs.

CDI holders will generally receive distribution payments (to which they are entitled, if any) within 20 business days following the record date in Australia. The value of the Australian dollar distribution payment is dependent on the prevailing foreign exchange rate a few days prior to the payment date. That is, the dollar amount of the distribution will first be determined and paid by the US Fund in US dollars and Computershare will then convert this into Australian dollars before making the distribution payment to holders of CDIs. The relevant exchange rate is as agreed from time to time between Computershare and its broker, net of fees and commissions.

From time to time, the foreign exchange rate can be volatile and the exchange rate when the distribution is declared and paid by the US Fund may differ from the prevailing foreign exchange rate at the date at which the distribution is converted into Australian dollars. This can give rise to foreign currency gains and losses for holders of CDIs in some circumstances.

Payment of distributions will be generally made by direct credit into a nominated Australian bank account. A distribution reinvestment plan is not available for the Vanguard US Total Market Shares Index ETF offered in this Prospectus. Please refer to section '4. Investor taxation' for information on the tax consequences of receiving distributions from the US Fund.

4. Investor taxation

The taxation information in this Prospectus is provided for general information only. It is a broad overview of some of the Australian and US tax consequences associated with investing in the Vanguard US Total Market Shares Index ETF offered in this Prospectus, and is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for investors.

It does not take into account the specific circumstances of each person who may invest in the Vanguard US Total Market Shares Index ETF and should not be used as the basis upon which potential investors make a decision to invest in the Vanguard US Total Market Shares Index ETF. As each investor's circumstances are different, Vanguard strongly recommends that an investor obtains independent professional tax advice concerning the tax implications of investing in and dealing in interests in the Vanguard US Total Market Shares Index ETF, particularly if an investor is not a resident of Australia or is a 'temporary resident' of Australia for tax purposes.

The Australian and US taxation information in this Prospectus have been prepared based on tax laws and administrative practice available at the date of this Prospectus. Any changes in the tax law or administrative practice that are announced subsequent to this date may alter the taxation information provided in this Prospectus.

Taxation of Australian tax resident investors

The taxation information provided in this Prospectus relates to Australian tax residents. Investors who are foreign residents should seek independent professional advice in relation to their specific circumstances.

Distributions from the US ETF

Distributions from the US Fund made to an Australian tax resident investor in the Vanguard US Total Market Shares Index ETF should be treated as assessable foreign sourced income for the Australian tax resident investor in the tax year in which the distribution has been received.

For Australian tax purposes, the Australian tax resident investor is assessed on the amount of the dividend distributions received during the tax year gross of any US withholding tax deducted. Australian tax resident investors may be entitled to claim an offset against the Australian tax payable on their foreign sourced income for any US tax withheld, as described below. Please see an Australian tax adviser in order to determine whether benefits of any tax offsets for US tax withheld from distributions in the Vanguard US Total Market Shares Index ETF can be obtained.

The US generally imposes a 30% withholding tax on dividends paid by US corporations to non-US persons, but this rate may be reduced to 15% under the Australia/US income tax treaty currently in effect. Australian tax resident investors may be required to complete US tax forms in order to qualify for the reduced rate under the treaty. The US Fund distributes its portfolio income and any short-term capital gains as a dividend generally subject to the applicable US withholding rate. Unlike those distributions, any long-term capital gains the US Fund distributes that are reported to investors as capital gain dividends will generally not be subject to US withholding tax.

Distributions paid by the Vanguard US Total Market Shares Index ETF to Australian tax resident investors will be paid by the US Fund in US dollars, but then converted into Australian dollars by Computershare prior to payment to Australian tax resident investors. The distribution payment advice will show the gross distribution amount, tax withheld and net distribution amount in US dollars and the exchange rate used to convert the net distribution to Australian dollars. Investors may use these exchange rates to convert the gross distribution and tax withheld to Australian dollars for tax return purposes, and to determine the amount of any foreign currency gains or losses that may arise for the Australian tax investor in respect of the distribution.

The US Fund qualifies as a Regulated Investment Company (RIC) under subchapter M of the US Internal Revenue Code of 1986 and intends to continue to qualify as a RIC in the future. As a result, the US Fund expects to benefit from special US tax rules that will generally cause it to pay no material US tax on its income or gains. However, distributions to investors may be subject to US withholding tax as described above.

The US Fund may also be subject to withholding taxes on income earned by the US Fund outside of the US. The distributions paid by the Vanguard US Total Market Shares Index ETF to Australian tax resident investors will be net of withholding taxes (if any) payable by the US Fund on the receipt by the US Fund of its non-US income.

Selling or transferring CDIs

If an Australian tax resident investor in the Vanguard US Total Market Shares Index ETF disposes of his or her CDIs by selling or otherwise transferring the CDIs to another person (e.g. if they sell their CDIs on-market), the investor may be liable for tax on any gains realised on the disposal of those CDIs.

For investors who do not hold their CDIs on capital account for income tax purposes (e.g. if the investor is in the business of dealing in securities such as CDIs), any gains realised on the disposal of CDIs should be assessable as ordinary income. Where investors who hold their CDIs on revenue account incur a loss in respect of dealings in their CDIs, this loss may, subject to certain integrity requirements, be available to offset current or future assessable income amounts.

For investors who hold their CDIs on capital account for income tax purposes, a capital gain or loss may be made on the disposal of their CDIs. Some investors may be eligible for the CGT discount (50% for individuals and certain trusts and 33.33% for complying superannuation funds) if the CDIs are held for at least 12 months before they are disposed of and the other relevant requirements are satisfied. Investors should obtain independent professional tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of CDIs may only be offset against capital gains made in that year or subsequent years.

Investors should not generally be subject to U.S. federal income tax on a sale or transfer of CDIs.

US estate tax

US estate tax may apply to an individual who is neither a US citizen nor domiciled in the US and, at the time of death, is the beneficial owner of the US ETF Securities. Generally, the first USD 60,000 of US-situated assets are exempt from US estate tax. The amount of the estate tax may be determined by the value of the US ETF Securities owned at death and may be reduced under the Australia/US estate tax treaty.

All investors should seek professional tax advice in relation to the US estate tax rules.

5. Other information you need to know

Financial information

Financial information for the US Fund appears in the Annual Report of the US Fund. This report can be found on Vanguard's website. Outlined below is a summary of the financial accounts:

US Fund	Vanguard Total Stock Market Index Fund
Date	31 December 2019
Net assets of Fund	USD 897.6 billion*
Net assets of ETF class	USD 138 billion*
Outstanding ETF shares	843.4 million*
AV price per ETF share	USD 163.7

*These are rounded figures. For additional financial information about the US Fund, please see the US Fund's annual report and the Financial Highlights table in the US Prospectus.

Financial statements of the US Fund

The Financial Statements and Notes contained in the Annual Report of the US Fund are incorporated by reference into and are deemed for US legal purposes to be part of the SAI. However, for the purpose of section 712 of the *Corporations Act*, this Prospectus does not incorporate the Annual Reports of the US Fund.

Interests of Directors

Details about the Trustees and officers of the US Fund (and details of their remuneration) are provided in the US Prospectus and SAI. Directors of Vanguard and their related parties may hold interests in US ETF securities from time to time.

Except as set out in this Prospectus, the US Prospectus, or the SAI, as may be updated:

- no Trustee of the US Fund or director of Vanguard has had in the last 2 years before lodgement of this Prospectus, an interest in:
  - the formation or promotion of Vanguard, VGI, the US Fund or the Vanguard US Total Market Shares Index ETF;
  - the offer in this Prospectus; or
  - any property acquired or proposed to be acquired by Vanguard, VGI, the US Fund or the Vanguard US Total Market Shares Index ETF in connection with its formation or promotion of the offer in this Prospectus; and
- no amounts, whether in cash or shares or otherwise have been paid or agreed to be paid (by anyone), and no benefit has been given or agreed to be given (by anyone), to any Trustee of the US Fund or director of Vanguard, either to induce them to become, or to qualify as, a trustee, a director, or otherwise for services provided by them in connection with the promotion or formation of Vanguard, VGI, the US Fund or the Vanguard US Total Market Shares Index ETF or the offer in this Prospectus.

The Trustees of the US Fund and the directors of Vanguard have given and not withdrawn their consent to lodge this Prospectus with ASIC.

US Fund Trustees

The following table provides information about the Trustees of the US Fund.

Name, year of birth	Current position	Trustee / officer since
Interested Trustee		
Mortimer J. Buckley (1969)	Chairman of the Board, Chief Executive Offier, and President	January 2018

Mr. Buckley os considered an “interested person” of the US Fund, as that term is defined in the Investment Company Act of 1940 (in the US), because he is an officer of the US Fund.

Independent Trustees		
Emerson U. Fullwood (1948)	Trustee	January 2008
Amy Gutmann (1949)	Trustee	June 2006
F. Joseph Loughrey (1949)	Trustee	October 2009
Mark Loughridge (1953)	Lead Independent Trustee	March 2012
Scott C. Malpass (1962)	Trustee	March 2012
Deanna Mulligan (1963)	Trustee	January 2018
André F. Perold (1952)	Trustee	December 2004
Sarah Bloom Raskin (1961)	Trustee	January 2018
Peter F. Volanakis (1955)	Trustee	July 2009

Directors of Vanguard

The table below provides information about the directors of Vanguard.

Name	Current position	Board member since
Francis Kolimago	Director	2018
James M. Norris	Director	2008
Cynthia Lui	Director	2017
Johanna Platt	Director	2017

Interests of other parties

Vanguard is an Australian financial services licensee and the AQUA product issuer of the CDIs. Vanguard will receive from VGI an amount equal to all costs incurred by Vanguard in relation to being the issuer of the cross-listed ETF plus a margin as agreed from time to time.

Consents

CRSP has given and not withdrawn its consent to the statements relating to CRSP on pages 5, and 17 of this Prospectus in the format and context in which they appear.

Consents to lodge Prospectus

This Prospectus has been prepared by Vanguard. Each of the Trustees of the US Fund and the directors of Vanguard has consented to the lodgement of this Prospectus with ASIC.

Incorporating other documents

The US Prospectus and SAI are referred to and incorporated by reference in this Prospectus under section 712 of the *Corporations Act*. The SAI is incorporated by reference into its US Prospectus and for US legal purposes is a part of the US Prospectus.

The US Prospectus and the SAI have been lodged with ASIC, and this Prospectus simply refers to parts of these documents instead of setting out the information that is contained in them. The information below is provided to allow a person to whom the offer is made to decide whether to obtain a copy of either the US Prospectus or the SAI.
The US Prospectus contains information regarding:

- The US Fund's investment objective, fees and expenses, primary investment strategies, principal risks, performance, investment advisor and portfolio manager, purchase and sale of the fund securities, US tax information and policy on payments to financial intermediaries.
- US ETF Securities and how they differ from conventional mutual fund securities.
- How to buy and sell US ETF Securities.
- Share class overview, market exposure, security selection, other investment policies and risks, cash management and temporary investment measures.
- Special risks of US ETF Securities and turnover rate.
- The US Fund, VGI and its structure, VGI employees with oversight, US Fund distributions and basic US tax points.
- How the US Fund's net asset value is determined.
- Highlights from the US Fund's financial statements.

The SAI contains information regarding:

- The US Fund's organisational structure and service providers.
- Characteristics of the US Fund's securities.
- US tax status of the US Fund and tax consequences to investors investing in the US Fund.
- The US Fund's fundamental and non-fundamental policies ("fundamental" policies are those that cannot be changed without shareholder approval).
- The purchase and redemption of the US Fund's non-ETF securities.
- Management of the US Fund.
- Officers and trustees of the US Fund, trustee compensation and trustee ownership of fund securities.
- Portfolio holdings disclosure policies and procedures.
- The US Fund's portfolio managers, including summary information about other accounts they manage and their compensation structure.
- The US Fund's "best execution" policies and brokerage expenses.
- The US Fund's proxy voting guidelines.
- The US ETF share-class, including exchange listing and trading, conversions and exchanges, book entry only system and purchase and redemption of US ETF Securities in creation units.

The US Prospectus and SAI may be amended or supplemented from time to time. Documents that amend the US Prospectus and SAI may be incorporated by reference into this Prospectus under s712 of the *Corporations Act.*

Copies of the documents incorporated in this Prospectus (including the US Prospectus and SAI) and documents amending the US Prospectus and SAI may be obtained by contacting Vanguard ETF Capital Markets Team on 1300 655 888 or by visiting Vanguard's website at www.vanguard.com.au These documents will be available free of charge.

Other filings in the US

Certain other documents which may be filed or prepared by VGI in the US subsequent to the date of this Prospectus (other than those documents identified above) may be incorporated by reference in the US Prospectus. Such documents (if any) cannot (for legal and timing reasons) be taken to be included in this Prospectus under section 712 of the *Corporations Act*. Such documents (if any) may be given to the ASX as announcements by Vanguard and will be made available on Vanguard's website at www.vanguard.com.au.

ASX confirmations and waivers

The ASX has granted Vanguard a confirmation under the ASX Market Rules that for the purposes of ASX Market Rule 2.10 (ASX Operating Rule 7100), the Vanguard US Total Market Shares Index ETF constitutes an 'ETF'.

The ASX has granted Vanguard a waiver from ASX Market Rule 10A.4.1 (ASX Operating Rule Schedule 10A.4.1) such that the investment strategies or policies can be amended without the approval of 75% of votes cast on a proposed resolution. Any change to the investment strategies or policies of the US Fund will be subject to the requirements as set out in the US Prospectus. In this regard, the board of trustees of the US Fund, which oversees the management of the US Fund, may change investment strategies or policies in the interests of shareholders without a shareholder vote. For this reason, it is unlikely that an Australian investor would be able to influence the outcome of a change in the investment strategies or policies.

ASIC relief

ASIC has issued an instrument of relief INS 09-00290 dated 16 April 2009, relating to offers for sale of CDIs on the ASX. ASIC has also issued an instrument of relief INS 09-00289 dated 16 April 2009, relating to the ability of Vanguard Investments Australia Ltd to offer CDIs under a Prospectus.

If you have a complaint

If investors have a complaint regarding the Vanguard US Total Market Shares Index ETF or services provided by Vanguard, please contact Vanguard Client Services on 1300 655 102 from 8:00am to 6:00pm AEDT/AEST, Monday to Friday.

If the complaint is not satisfactorily resolved, you can refer the matter in writing to:

Client Services Manager, Vanguard Investments Australia Ltd, GPO Box 3006, Melbourne Vic 3001.

Vanguard will try to resolve your complaint and get back to you as soon as possible, but in any event we will provide a final response within 45 days of receipt.

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides a fair and independent financial services complaint resolution service that is free to consumers. You can contact AFCA on 1800 931 678 (free call) or email on info@afca.org.au.

Privacy policy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard is committed to respecting the privacy of your personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard may collect personal information from external sources, such as the share registrar – Computershare or through third parties such as brokers, and may collect additional personal information from you in the course of managing your investment. Some information must be collected for the purposes of compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).
Vanguard may be required to disclose personal information to regulators, including authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") in connection with anti-money laundering and counter-terrorism financing.

Vanguard may provide an investor's personal information to its service providers such as Computershare for certain related purposes (as described under the Privacy Act 1988 (Cth)) such as account administration and the production and mailing of statements. Vanguard may also use an investor's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep investors informed of Vanguard's products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

Vanguard will assume consent to personal information being used for the purposes of providing information on services offered by Vanguard and being disclosed to market research companies for the purposes of analysing Vanguard's investment base, unless otherwise advised.

For a complete description of how personal information may be handled (including other potential uses), please see Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

US Foreign Account Tax Compliance Act (FATCA) and Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard (CRS)

FATCA is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS). Similarly, the OECD has established CRS, also known as the Standard for Automatic Exachange of Financial Account Information (AEOI), which requires participating jurisdictions to obtain information from their financial institutions and exchange it with other participating jurisdictions. CRS/AEOI became effective in Australia on 1 July 2017.

Under FATCA, the Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of America for reciprocal exchange of taxpayer information. Under the IGA, financial institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The US Fund or its authorised agents, such as the registrar – Computershare, may request such information or documents from you as is necessary to verify your identity and FATCA and AEOI status, including self-certification forms. The US Fund or its authorised agents may disclose this information to the IRS or ATO (who may share this information with other tax authorities) as necessary to comply with FATCA, the IGA, AEOI or applicable implementing law or regulation.

Vanguard is not able to provide tax advice and strongly encourages investors to seek the advice of an experienced tax advisor to determine what actions investors may need to take in order to comply with FATCA and AEOI.

Anti-money laundering and counter terrorism-financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Laws). By acquiring the CDIs, the investor agrees that:

- they do not purchase or redeem US ETF Securities or buy or sell CDIs under an assumed name
- any money used to acquire the securities is not derived from or related to any criminal activities
- any proceeds of the investment will not be used in relation to any criminal or terrorist financing activities
- the investor will provide the information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor and any beneficial interest in the CDIs, or the source of funds used to invest)

Vanguard may obtain information about you from third parties if it is believed this is necessary to comply with AML/CTF Laws. In order to comply with AML/CTF Laws. Vanguard may be required to disclose information to regulators of AML/CTF Laws (whether in or outside of Australia).

6. Glossary

AEDT means Australian Eastern Daylight Time

AEST means Australian Eastern Standard Time

ASX means ASX Limited

ASIC means the Australian Securities and Investments Commission

Authorised Participant is a participant in the Depository Trust Company that has executed a Participant Agreement with Vanguard Marketing Corporation (a VGI subsidiary) in order to be eligible to purchase and redeem US ETF Securities with the US Fund

AQUA Rules mean Schedule 10A of the ASX Operating Rules

CDIs means CHESS Depositary Interests

CHESS means the Clearing House Electronic Subregister System

CHESS Depositary Nominees means CHESS Depositary Nominees Pty Limited

Depository Trust Company or DTC means the company that is defined on page 9 of this Prospectus

Eligible Investor means stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the ASX Operating Rules

Pricing Basket means a basket of securities that is created to track the movements of a Fund, to assist with intra-day pricing.

SAI means the Vanguard Index Funds Statement of Additional Information for the US Fund lodged with ASIC and includes any documents lodged with ASIC that update the SAI

US Fund means the Vanguard Total Stock Market Index Fund

US Prospectus is the latest prospectus of the US ETF Securities lodged with ASIC and includes any documents lodged with ASIC that update the US Prospectus

US ETF Security or US ETF Securities means exchange traded fund shares in the US Fund - the Vanguard Total Stock Market ETF

Vanguard means Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263)

VGI means The Vanguard Group, Inc.

Connect with Vanguard™ > vanguard.com.au

Vanguard Investments Australia Ltd
(The Product Issuer)

Registered office
Level 13
130 Lonsdale Street
Melbourne Vic 3000

Vanguard Client Services
8:00 am to 6:00 pm (AEDT/AEST) Monday to Friday
Monday to Friday
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Vanguard ETF Capital Markets Team
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Vanguard

Prospectus 10 July 2020

Vanguard All-World ex-US Shares Index ETF
ASX code: VEU

Contents

Important notice

Trading Participants
Please note that the offer in this Prospectus is for stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the Australian Securities Exchange (ASX) Operating Rules (Eligible Investor). For that reason, certain sections of this Prospectus (particularly those relating to purchases and redemptions of the Vanguard All-World ex-US Shares Index ETF (US ETF)) are of direct relevance to such persons only.

All other investors
Other investors cannot invest through this Prospectus directly, but can transact in the Vanguard All-World ex-US Shares Index ETF through a stockbroker or financial adviser. Other investors can use this Prospectus for informational purposes only. For further details on Vanguard Exchange Traded Funds (ETFs) please contact a stockbroker or financial adviser or visit www.vanguard.com.au.

This Prospectus does not constitute an offer or invitation in any jurisdiction other than in Australia. For the avoidance of doubt, Vanguard All-World ex-US Shares Index ETF securities are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

Vanguard ETF Capital Markets Team
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Features at a glance

Full name	Vanguard All-World ex-US Shares Index ETF
ASX code	VEU
SEDOL	B42HLZ8
ISIN	AU000000VEU9
Management Costs[1]	0.08% p.a.
Structure	CDI : CHESS Depositary Interest
Objective	Track the performance of the benchmark Index
Index	FTSE All-World ex US Index
Listing location	AQUA market of the ASX
Commencement date	8 May 2009
Prospectus date	10 July 2020
Expiry date	10 August 2021
AQUA product issuer	Vanguard Investments Australia Ltd
Fund manager	The Vanguard Group, Inc.
Share registry	Computershare Investor Services Pty Limited
Holder of underlying ETFs	CHESS Depositary Nominees Pty Limited
Risks	Market; country/regional; emerging markets; currency; regulatory and tax; trading and liquidity; and cybersecurity.
Transactions (primary market)	Via an Authorised Participant in the US
Creation unit[2]	Please refer to the latest Statement of Additional Information (SAI)
Transaction fee[3]	Please refer to the latest SAI
Transactions (secondary market)[4]	Available on the ASX; required to have a brokerage account.
Distribution	Quarterly: March, June, September and December
Distribution payable	Australian dollars, within 20 business days following the record date
Distribution reinvestment plan	Not available
Taxation	Capital gains or ordinary income, foreign sourced income, and US withholding and US estate tax may be applicable depending on the circumstance of the investor.
Regulated Investment Company status	Qualifies as at the date of this Prospectus
Documents incorporated by reference	US Prospectus and SAI (and documents that update the US Prospectus and SAI, as lodged with ASIC from time to time).
Key contact	Vanguard ETF Capital Markets Team on 1300 655 888

1 Refer to the section 'Fees and expenses'.

2 US ETF Securities are issued and redeemed in large blocks known as creation units to Authorised Participants only. Refer to section '3. How to transact with Vanguard'.

3 This amount is only paid by Authorised Participants purchasing or redeeming US ETF units. Individual investors do not pay this amount for sales or purchases through their broker.

4 Investors buying or selling CDIs on the ASX may incur brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

Disclaimers

An investment in the Vanguard All-World ex-US Shares Index ETF is subject to risk, (refer to the section 2. "Risks"), which may include possible delays in repayment and loss of income and capital invested.

None of VGI, including Vanguard or their related entities, directors or officers, gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested, in the Vanguard All-World ex-US Shares Index ETF described in this Prospectus. VGI, its related entities and associates may invest in, lend to or provide other services to the Vanguard All-World ex-US Shares Index ETF.

This Prospectus is prepared for general information only. It is not intended to be a recommendation by Vanguard, any of Vanguard's associates or any other person to invest in the Vanguard All-World ex-US Shares Index ETF. In preparing this Prospectus, Vanguard did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider (with or without the advice or assistance of an adviser) whether an investment in the Vanguard All-World ex-US Shares Index ETF is appropriate to their needs, objectives and circumstances.

Vanguard has sufficient working capital to enable it to operate the Vanguard All-World ex-US Shares Index ETF as outlined in this Prospectus.

About this Prospectus

This Prospectus is for the Vanguard All-World ex-US Shares Index ETF and is dated 10 July 2020.

Vanguard Investments Australia Ltd ABN 72 072 881 086 AFSL 227263 (Vanguard) is the issuer of this Prospectus on behalf of the Vanguard FTSE All-World ex-US Index Fund (US Fund), a series of Vanguard International Equity Index Funds (a Delaware Statutory Trust).

The Vanguard Group, Inc. (VGI) is the US parent company of Vanguard.

In this Prospectus references to 'Vanguard', 'we', 'our' and 'us' refer to Vanguard Investments Australia Ltd.

A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC) in accordance with section 718 of the *Corporations Act 2001 (Cth) (Corporations Act)* and with the ASX Limited (ASX). Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus.

The Vanguard All-World ex-US Shares Index ETF is the name given to the Clearing House Electronic Subregister System (CHESS) Depositary Interests (CDIs) that are quoted on the AQUA market of the ASX (refer to page 9 for further details on CDIs). These CDIs facilitate the buying and selling of exchange traded shares in the US Fund (US ETF Securities) on the ASX. CDIs are 'securities' for the purpose of the *Corporations Act*.

Unless otherwise stated, data sources used within this prospectus by Vanguard or VGI are public or licensed market data and all material is current as at the date of this Prospectus.

A copy of this Prospectus for the Vanguard All-World ex-US Shares Index ETF, the prospectus for the US ETF Securities (US Prospectus) and the US Fund's Statement of Additional Information (SAI) are available on Vanguard's website. If you do not have access to the internet, please contact Vanguard ETF Capital Markets Team on 1300 655 888. A paper copy will be provided free of charge on request.

Information available from Vanguard

To keep investors informed, Vanguard, in its capacity as the AQUA product issuer of the Vanguard All-World ex-US Shares Index ETF, will provide regular reporting and disclosure through the ASX Market Announcements Platform (MAP) and Vanguard's website. The following information can be obtained by visiting Vanguard's website or by contacting the Vanguard ETF Capital Markets Team on 1300 655 888:

- details of the Net Asset Value (NAV) for the ETF - available monthly
- details of the NAV price per unit for the ETF- available daily
- pricing basket - available daily
- a copy of this Prospectus (and any documents which may amend or update the Prospectus)
- details of any continuous disclosure notices given by Vanguard to the ASX and/or ASIC
- details of distribution announcements given by Vanguard to the ASX
- annual and half yearly Reports and Financial Statements for the US Fund
- total number of ETF securities on issue – monthly to the ASX via MAP

1. Key features of the ETF offer

Offer to Eligible Investors

Through this Prospectus, Vanguard gives Eligible Investors the opportunity to convert US ETF Securities into CDIs to allow trading of interests in the US ETF Securities on the secondary market in Australia. Eligible Investors, as referred to in this Prospectus, cannot directly purchase or redeem US ETF Securities with the US Fund. Only institutions that are Authorised Participants in the US can purchase or redeem US ETF Securities. Therefore, Eligible Investors will be required to engage counterparts in the US that are Authorised Participants for the purchase and redemption of US ETF Securities (refer to page 11 for more details on the purchase and redemption process).

Continuous offer and expiry date

The offer of CDIs is a continuous offer which remains open until 10 August 2021 (the Expiry Date) being 13 months after the date of this Prospectus. CDIs will not be offered, issued or transferred on the basis of this Prospectus after 10 August 2021.

The ETF offered in this Prospectus is:

ETF name	Investment objective	Underlying Index	Management costs*
Vanguard All-World ex-US Shares Index ETF ASX code: VEU	Seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets outside of the United States.	The FTSE All-World ex US Index is a float-adjusted, market-capitalisation-weighted index designed to measure equity market performance of international markets, excluding the United States. As of 31st October 2019, the index includes approximately 3,333 stocks of companies located in approximately 48 market, including both developed and emerging markets.	0.08% p.a.

* Refer to the section 'Fees and expenses'.

The Vanguard All-World ex-US Shares Index ETF referred to in the above table is the name given to the CDIs that are quoted on the AQUA market of the ASX (refer to page 9 for further details on CDIs). CDIs facilitate the buying and selling of US ETF Securities issued by the US Fund. The US ETF Securities are listed on NYSE Arca (a subsidiary of NYSE Euronext).

The information in the table above is referenced from the US Prospectus for the US ETF Securities. For further information regarding the investment objectives, cash and liquidity management, securities lending, environmental, social and ethical considerations and the fees and expenses, please refer to the US Prospectus.

Performance

Monthly performance information for the ETF and historical performance relative to the Index will be published on Vanguard's website at www.vanguard.com.au. Neither the return of capital nor the performance of the ETF is guaranteed. Past performance is not an indication of future returns.

Fees and expenses

The following table sets out the fees and expenses of the US ETF Securities at the date of this Prospectus:

Vanguard ETF	Vanguard All-World ex-US Shares Index ETF
US ETF Security	Vanguard FTSE All-World ex-US ETF
Management fees	0.06%
Distribution fee	None
Other expenses	0.02%
Total annual fund operating expenses* (Management Costs)	0.08%

* Management Costs are deducted from the assets of the US Fund

Management Costs are expressed as a percentage of the US ETF Securities' average net assets during the relevant period. Management Costs include management expenses, such as advisory fees, account maintenance, reporting, accounting, legal, and other administrative expenses and any distribution fees. They do not include the transaction costs of buying and selling portfolio securities.

As Management Costs are expressed as a percentage of the average net assets of the US ETF Securities and the value of those assets may change over time, the actual Management Costs for a period may be higher or lower than shown in the table above. For additional information about Fees and Expenses of the US ETF Securities, please see the US Prospectus.

Investors buying or selling CDIs on the ASX may incur customary brokerage fees, commissions and a bid/ask spread (being the difference between the price at which participants are willing to buy and sell CDIs on the ASX).

What is an ETF?

An ETF is an Exchange Traded Fund, which is quoted for trading on the AQUA market of the ASX (in this case, it is the CDIs that are quoted for trading on the AQUA market of the ASX). Generally, these exchange traded funds comprise broadly diversified investment portfolios of either shares, bonds or real estate securities and are constructed using an indexed investment methodology.

ETFs seek to combine the best features of index managed funds and listed shares in one investment. Vanguard ETFs come with the benefits of low cost, broad diversification, transparency and tax efficiency due to low turnover of the underlying securities. However, unlike traditional index funds which are priced only once per day, ETF securities trade on a stock exchange so they can be bought and sold at any time during the trading day at prevailing market prices. ETFs carry certain risks (refer to the section '2. Risks' for further details).

Who is Vanguard?

Vanguard Investments Australia Ltd ("Vanguard") is a wholly owned subsidiary of The Vanguard Group, Inc. The Vanguard Group, Inc. is one of the world's largest global investment management companies, with more than AUD $8.6 trillion in assets under management as of 31 March 2020. In Australia, Vanguard has been serving financial advisers, retail clients and institutional investors for more than 20 years.

Who is involved in the ETF process?

The role of Vanguard is to be the issuer of the cross-listed US ETF Securities, via CDIs, into the Australian market (refer to page 9 for further details). To accomplish this, Vanguard has entered into an Intermediary Authorisation Agreement with VGI. Neither the US Fund nor VGI will hold an Australian Financial Services Licence (AFSL).

Other roles of Vanguard are to:

- contract with relevant parties in Australia to ensure that the CDIs are properly created for the Australian market;
- contract with an appropriate share registry to ensure that the relevant investor details are maintained in regard to the CDIs that are quoted on the AQUA market of the ASX; and
- help maintain an efficient trading market by assigning at least one market maker.

VGI, either itself or through a subsidiary, will manage the investments of the US Fund and process the creation and redemption orders of the US ETF Securities in the US.

The US ETF Securities are held by Depository Trust Company (DTC) which is a limited purpose trust company that was created in the US to hold the securities of its participants (refer to page 9 for further details).

Computershare Trust Company, N.A. (a DTC Participant) has entered into a Custody Agreement with CHESS Depositary Nominees Pty Limited (CHESS Depositary Nominees), such that CHESS Depositary Nominees becomes the holder of the underlying US ETF Securities that will be cross-listed into the Australian market.

Computershare Investor Services Pty Limited (Computershare) has been engaged by Vanguard under a Share Registry Agreement to maintain the Australian register of CDI holders and provide services to investors (including facilitating payment of any distributions) in relation to their CDI holdings. Computershare keeps investor records including the quantity of securities held by an investor and how the securities are held. Computershare's role is to also facilitate the transfer of US ETF Securities, created in the US, for transacting in Australia.

Contact details

Product issuer Vanguard Investments Australia Ltd Level 13 130 Lonsdale Street Melbourne Vic 3000	Share registrar Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067

Quotation under the AQUA Rules of the ASX

The AQUA market service aims to provide managed funds, ETFs and structured products (collectively referred to as ETPs) with a more tailored framework for the quoting of these products on the ASX market and access to back office clearing and settlement.

The key distinction between products admitted under the ASX Listing Rules and those quoted under the ASX AQUA Rules is the level of influence that the issuer has over the underlying instrument. See table below for the main differences between the ASX Listing Rules and the ASX AQUA Rules:

ASX Listing Rules	ASX AQUA Rules
The equity issuer: ▪ Controls the value of its own securities and the business it runs; and ▪ The value of those securities is directly influenced by the equity issuer's performance and conduct. For example, a company's management and Board generally control the company's business and, therefore, have direct influence over the company's share price.	The AQUA Product issuer: ▪ Does not control the value of the assets underlying its products but; ▪ Offers products that give investors exposure to the underlying assets - such as shares, indices, currencies or commodities. The value (or price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself. For example, an ETP issuer does not control the value of the securities it invests in.

Source: ASX Rules Framework (2011)

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the AQUA Rules.

Information	ASX Listing Rules	ASX AQUA Rules
Continuous disclosure	▪ Products under the Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act*	▪ Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the *Corporations Act.* ▪ There is a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with any information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products. What obligations apply under the AQUA Rules? ▪ There is an obligation on issuers of ETFs to disclose information about the NAV of the ETFs daily via either the ASX MAP or issuer's website (as specified in the ETFs' Product Disclosure Statement). ▪ Issuers of ETFs must also disclose information about dividends, distributions and other disbursements to the ASX via ASX MAP. ▪ Any other information that is required to be disclosed to ASIC under section 675 of the *Corporations Act* must be disclosed to the ASX via ASX MAP at the same time it is disclosed to ASIC.
Periodic disclosure	▪ Products under the Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the Listing Rules.	▪ Responsible entities of AQUA Products that are ETFs are still required to lodge with ASIC financial reports under Chapter 2M of the *Corporations Act*. Under the AQUA Rules, the Responsible Entity must disclose these financial reports to the ASX at the same time as lodgement with ASIC. ▪ Issuers of ETFs must disclose the total number of ETF Securities on issue via ASX MAP within 5 business days of the end of each month.

Corporate control	▪ Requirements in the *Corporations Act* and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes.	▪ Certain requirements in the *Corporations Act* and the Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules. ▪ Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with any information concerning itself the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.
Related party transactions	▪ Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	▪ Chapter 10 of the Listing Rules does not apply to AQUA Products. ETPs that are registered managed investment schemes are subject to Chapter 2E and Part 5C.7 of the Corporations Act.
Auditor rotation obligations	▪ There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the *Corporations Act.*	▪ Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the *Corporations Act.* ▪ Responsible entities of registered managed investment schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the *Corporations Act* and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm).
Product disclosure	▪ Entities admitted under the Listing Rules are subject to the requirements of the *Corporations Act* in relation to the issue of a PDS or prospectus. ▪ Information on the risks associated with an investment in a product is expected to be included.	▪ Products quoted under the AQUA Rules will also be subject to these requirements of the *Corporations Act.* ▪ Investors should read the PDS or prospectus carefully before investing in an AQUA Product to fully understand the risks involved in investing in these types of products.

Source: ASX Rules Framework (2011) and ASX Operating Rules

Market Maker

The AQUA Rules contain certain market making requirements. A market maker's role is to satisfy supply and demand for CDIs. They do this by fulfilling two key functions:

- Providing liquidity to the market by providing continuous bid and ask prices and acting as the buyer and seller of CDIs throughout the day; and
- Applying to convert additional CDIs, where necessary, to meet supply and demand.

Market makers seek to provide continuous liquidity to the market. The process begins with the issuer distributing a net asset value for the US ETF Security to the market every day, allowing market makers to price the CDI. Market makers use this information to determine the price of CDIs and places a bid/ask spread around this value before sending these prices to the stock exchange as bid and ask orders. The orders are published to the market, and investors can either 'hit' orders to trade with the market maker or send their own orders to the exchange and wait for someone else to 'hit' them. Market maker orders are updated continuously throughout the day to reflect price changes in the underlying securities.

The market maker(s) that Vanguard has appointed for the Vanguard All-World ex-US Shares Index ETF have been selected on the basis of their experience in trading and market making in both Australia and international markets. Most importantly, the firm(s) selected by Vanguard currently make markets on the ASX in existing Australian quoted ETF products and may have agreements with the ASX which provide certain financial incentives for the market maker to operate in this capacity. The market makers selected (or their offshore affiliates) may also have global experience in trading exchange traded fund securities in other markets, such as the New York Stock Exchange. Vanguard may change the lead market maker or appoint additional market makers.

CHESS Depositary Interests (CDIs)

Investors in the Vanguard All-World ex-US Shares Index ETF offered in this Prospectus will hold a CDI rather than a US ETF Security. CDIs are Australian financial instruments designed to give its holders rights and entitlements (i.e. a beneficial interest) in relation to holding foreign financial products, such as the US ETF Securities. A Depositary Nominee holds title on behalf of CDI holders. In the case of the US ETF Securities, the nominee is CHESS Depositary Nominees Pty Limited (CDN), who is the holder of the AFS license 254 514 and is an approved participant in the clearing and settlement facility operated by ASX Settlement Pty Limited.

CDI holders are not holders of the US ETF Security. Some entitlements accrue to holders of US ETF Securities directly such as voting rights and corporate actions. This can alter the entitlements of a CDI holder. The ratio of CDIs to corresponding US ETF Securities is one-to-one.

In relation to *voting*, if a meeting of holders of US ETF Securities is convened, each holder of CDIs will be given notice of the meeting. The notice will include a form permitting the CDI holder to direct the Depositary Nominee to cast, authorise or arrange the casting of, proxy votes in accordance with the CDI holder's written directions. Only holders of US ETF Securities (as shown on DTC records or DTC Participant records) or their proxies can vote at meetings of holders of US ETF Securities.

In relation to *corporate actions*, all economic benefits such as dividends, bonus issues, rights issues, capital reconstructions or similar corporate actions must flow through to CDI holders under the ASX Settlement Operating Rules. However, there may be differences from the entitlements you would receive if you held the US ETF Securities directly, for example, there may be rounding of entitlements where the depository nominee's holding is treated as a single holding rather than holdings corresponding to the interests of the CDI holders. The US ETF Securities are not subject to corporate takeovers.

CDIs may be held in uncertificated form on either the Issuer Sponsored Subregister or the CHESS Subregister, which together make up the Australian CDI Register (maintained by Computershare).

For more information on CDI's generally, please refer to CDN's guidenace note: Understanding CHESS Depository Interests available on the ASX and ASIC's MoneySmart website (www.moneysmart.gov.au).

CDI Holders interested in converting existing CDIs into US ETF Securities should contact Computershare on 1300 757 905.

Depository Trust Company (DTC)

The DTC, a limited-purpose trust company, was created in the US to hold securities of its participants (DTC Participants) and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic book entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of share certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations.

2. Risks

Investors in the Vanguard All-World ex-US Shares Index ETF face a number of investment risks. It is important to keep in mind one of the main principles of investing: the higher the potential reward, the higher the risk of losing money. The reverse is also generally true: the lower the risk, the lower the potential reward. An investment in ETF could lose money over short or even long periods of time.

The price of an ETF can fluctuate within a wide range, like fluctuations of the overall stock market. When considering an investment in the Vanguard All-World ex-US Shares Index ETF, personal tolerance for fluctuating market values should be taken into account. There is no guarantee that the value of investment capital will be maintained.

The risks described in the US Prospectus for the US ETF Security are:

- Stock market risk;
- Country/regional risk;
- Emerging markets risk;
- Currency risk;
- ETF trading risks.

The above risk descriptions also apply to the Vanguard All-World ex-US Shares Index ETF. Prospective investors should read and consider these risks in the US Prospectus (as well as the additional risks identified below) before making an investment decision. Additional risks specific to the offer in Australia are detailed below:

Currency risk

Fluctuations in the value of the Australian dollar versus foreign currencies can affect the returns from overseas investments. This is because losses or gains must be converted back into Australian dollars.

The Vanguard All-World ex-US Shares Index ETF offered in this Prospectus does not hedge any of its exposure to foreign currencies.

A weaker Australian dollar increases the value of investments held in non-Australian dollars and therefore benefits the Australian investor holding non-Australian dollar denominated assets, such as international shares. Conversely, if the value of the Australian dollar rises, the value of investments held in non-Australian dollar denominated assets will fall.

Fluctuations in the exchange rate between when a distribution is paid on the US ETF Security and when these distributions are converted into Australian dollars by Computershare for holders of CDIs can also result in foreign currency gains and losses arising for holders of CDIs. This is discussed in further detail in the section 'Distributions'.

Regulatory and tax risk

This is the risk that a government or regulator may introduce regulatory and tax changes or a court makes a decision regarding the interpretation of the law that affects the value of securities in which the US Fund invests, the value of the interests in the Vanguard All-World ex-US Shares Index ETF, or the tax treatment of the investment in the Vanguard All-World ex-US Shares Index ETF.

The Vanguard All-World ex-US Shares Index ETF may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by Vanguard and action is taken, where appropriate, to facilitate the achievement of the Vanguard All-World ex-US Shares Index ETF's objectives.

Please refer to the section '4. Investor taxation' for information about the tax impacts for the offer in Australia.

Trading and liquidity risk

In certain circumstances, the ASX and/or other exchanges may suspend the trading of CDIs and therefore investors will not be able to buy or sell the CDIs on the ASX.

The ASX also imposes certain requirements for the Vanguard All-World ex-US Shares Index ETF to continue to be quoted. Vanguard will endeavour to meet these requirements at all times to ensure the Vanguard All-World ex-US Shares Index ETF remains quoted.

There can be no assurances that there will always be a liquid market for securities quoted on the AQUA market. Vanguard has appointed a market maker to assist in maintaining liquidity for the Vanguard All-World ex-US Shares Index ETF on the ASX, but there is no guarantee that the market maker will be able to maintain liquidity.

The net asset value of the US ETF Securities may differ from the trading price of the CDIs on the ASX. The trading price is dependent on a number of factors including the demand and supply of the CDIs, investor confidence and how closely the value of the assets of the US Fund tracks the performance of the index.

3. How to transact with Vanguard

Eligible Investors

To convert US ETF Securities to CDIs (and vice versa), an Eligible Investor can contact an Authorised Participant to purchase or redeem US ETF Securities. Interests in the US Fund are issued and redeemed in large blocks known as creation units. To purchase or redeem a creation unit you must be an Authorised Participant or you must trade through a broker that is an Authorised Participant. An Authorised Participant is a participant in the Depository Trust Company (DTC) that has executed a Participant Agreement with VGI.

The Authorised Participant will then arrange for the purchase or redemption of US ETF Securities with the US Fund. These US ETF Securities issued by the US Fund will be held by Computershare Trust Company, N.A. on behalf of the Eligible Investor (in the name of CHESS Depositary Nominees). The equivalent value of CDIs (1 US ETF Security for 1 CDI) will then be issued to the Eligible Investor.

Please note that transaction fees may apply to Eligible Investors in Australia when the Authorised Participant purchases or redeems US ETF Securities. These costs are negotiable directly with the relevant Authorised Participants.

For further details on the number of US ETF Securities in a creation unit and the transaction fee for the US ETF Securities, please refer to the latest SAI.

For further details on the purchase and redemption process, please contact Vanguard ETF Capital Markets Team on 1300 655 888 who can assist you with the process.

Other Investors - buying and selling ETFs on the secondary market

Investors who are not Eligible Investors can acquire, via the secondary market, CDIs of the US ETF Securities which are publicly traded via the ASX. To acquire a US ETF Security in the form of a CDI, investors will need to have a brokerage account.

When investors buy or sell CDIs on the secondary market, brokers may charge brokerage fees or commissions. Investors may also incur the cost of the ‘bid/ask spread’ which is the difference between the price at which the broker will purchase the security and the higher price at which the broker will sell the security. In addition, because the secondary market transactions occur at market prices, investors may pay more (premium) or less (discount) than the Net Asset Value when buying a CDI and receive more or less than the Net Asset Value when selling it.

Distributions

Distributions from the US Fund are generally calculated quarterly in March, June, September and December. Distributions may be paid at other times.

The distributions payable in respect of the CDIs quoted on the ASX will be declared and paid by the US Fund in US dollars, and converted by Computershare into Australian dollars prior to payment to holders of CDIs.

CDI holders will generally receive distribution payments (to which they are entitled, if any) within 20 business days following the record date in Australia. The value of the Australian dollar distribution payment is dependent on the prevailing foreign exchange rate a few days prior to the payment date. That is, the dollar amount of the distribution will first be determined and paid by the US Fund in US dollars and Computershare will then convert this into Australian dollars before making the distribution payment to holders of CDIs. The relevant exchange rate is as agreed from time to time between Computershare and its broker, net of fees and commissions.

From time to time, the foreign exchange rate can be volatile and the exchange rate when the distribution is declared and paid by the US Fund may differ from the prevailing foreign exchange rate at the date at which the distribution is converted into Australian dollars. This can give rise to foreign currency gains and losses for holders of CDIs in some circumstances.

Payment of distributions will be generally made by direct credit into a nominated Australian bank account. A distribution reinvestment plan is not available for the Vanguard All-World ex-US Shares Index ETF offered in this Prospectus.
Please refer to the section ‘4. Investor taxation' for information on the tax consequences of receiving distributions from the US Fund.

4. Investor taxation

The taxation information in this Prospectus is provided for general information only. It is a broad overview of some of the Australian and US tax consequences associated with investing in the Vanguard All-World ex-US Shares Index ETF offered in this Prospectus, and is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for investors.

It does not take into account the specific circumstances of each person who may invest in the Vanguard All-World ex-US Shares Index ETF and should not be used as the basis upon which potential investors make a decision to invest in the Vanguard All-World ex-US Shares Index ETF. As each investor's circumstances are different, Vanguard strongly recommends that an investor obtains independent professional tax advice concerning the tax implications of investing in and dealing in interests in the Vanguard All-World ex-US Shares Index ETF, particularly if an investor is not a resident of Australia or is a 'temporary resident' of Australia for tax purposes.

The Australian and US taxation information in this Prospectus have been prepared based on tax laws and administrative practice available at the date of this Prospectus. Any changes in the tax law or administrative practice that are announced subsequent to this date may alter the taxation information provided in this Prospectus.

Taxation of Australian tax resident investors

The taxation information provided in this Prospectus relates to Australian tax residents. Investors who are foreign residents should seek independent professional advice in relation to their specific circumstances.

Distributions from the ETF

Distributions from the US Fund made to an Australian tax resident investor in the Vanguard All-World ex-US Shares Index ETF should be treated as assessable foreign sourced income for the Australian tax resident investor in the tax year in which the distribution has been received.

For Australian tax purposes, the Australian tax resident investor is assessed on the amount of the dividend distributions received during the tax year gross of any US withholding tax deducted. Australian tax resident investors may be entitled to claim an offset against the Australian tax payable on their foreign sourced income for any US tax withheld, as described below. Please see an Australian tax adviser in order to determine whether benefits of any tax offsets for US tax withheld from distributions in the Vanguard All-World ex-US Shares Index ETF can be obtained.

The US generally imposes a 30% withholding tax on dividends paid by US corporations to non-US persons, but this rate may be reduced to 15% under the Australia/US income tax treaty. Australian tax resident investors may be required to complete US tax forms in order to qualify for the reduced rate under the treaty. The US Fund distributes its portfolio income and any short-term capital gains as a dividend generally subject to the applicable US withholding rate. Unlike those distributions, any long-term capital gains the US Fund distributes that are reported to investors as capital gain dividends will generally not be subject to US withholding tax.

Distributions paid by the Vanguard All-World ex-US Shares Index ETF to Australian tax resident investors will be paid by the US Fund in US dollars, but then converted into Australian dollars by Computershare prior to payment to Australian tax resident investors. The distribution payment advice will show the gross distribution amount, tax withheld and net distribution amount in US dollars and the exchange rate used to convert the net distribution to Australian dollars. Investors may use these exchange rates to convert the gross distribution and tax withheld to Australian dollars for tax return purposes, and to determine the amount of any foreign currency gains or losses that may arise for the Australian tax investor in respect of the distribution.

The US Fund qualifies as a Regulated Investment Company (RIC) under subchapter M of the US Internal Revenue Code of 1986 and intends to continue to qualify as a RIC in the future. As a result, the US Fund expects to benefit from special US tax rules that will generally cause it to pay no material US tax on its income or gains. However, distributions to investors may be subject to US withholding tax as described above.

The US Fund may also be subject to withholding taxes on income earned by the US Fund outside of the US. The distributions paid by the Vanguard All-World ex-US Shares Index ETF to Australian tax resident investors will be net of withholding taxes payable by the US Fund on the receipt by the US Fund of its non-US income.

Selling or transferring CDIs

If an Australian tax resident investor in the Vanguard All-World ex-US Shares Index ETF disposes of his or her CDIs by selling or otherwise transferring the CDIs to another person (e.g. if they sell their CDIs on-market), the investor may be liable for tax on any gains realised on the disposal of those CDIs.

For investors who do not hold their CDIs on capital account for income tax purposes (e.g. if the investor is in the business of dealing in securities such as CDIs), any gains realised on the disposal of CDIs should be assessable as ordinary income. Where investors who hold their CDIs on revenue account incur a loss in respect of dealings in their CDIs, this loss may, subject to certain integrity requirements, be available to offset current or future assessable income amounts.

For investors who hold their CDIs on capital account for income tax purposes, a capital gain or loss may be made on the disposal of their CDIs. Some investors may be eligible for the CGT discount (50% for individuals and certain trusts and 33.33% for complying superannuation funds) if the CDIs are held for at least 12 months before they are disposed of and the other relevant requirements are satisfied. Investors should obtain independent professional tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of CDIs may only be offset against capital gains made in that year or subsequent years.

Investors should not generally be subject to U.S. federal income tax on a sale or transfer of CDIs.

US estate tax

US estate tax may apply to an individual who is neither a US citizen nor domiciled in the US and, at the time of death, is the beneficial owner of the US ETF Securities. Generally, the first USD 60,000 of US-situated assets are exempt from US estate tax. The amount of the estate tax may be determined by the value of the US ETF Securities owned at death and may be reduced under the Australia/US estate tax treaty.

All investors should seek professional tax advice in relation to the US estate tax rules.

5. Other information you need to know

Financial information

Financial information for the US Fund appears in the Annual Report of the US Fund. This report can be found on Vanguard's website. Outlined below is a summary of the financial accounts:

US Fund	Vanguard FTSE All-World ex-US Index Fund
Date	31 October 2019
Net assets of Fund	USD 39.1 billion*
Net assets of ETF class	USD 24.6 billion*
Outstanding ETF shares	477.9 million*
NAV price per ETF share	USD 51.58

*These are rounded figures. For additional financial information about the US Fund, please see the US Fund's annual report and the Financial Highlights table in the US Prospectus.

Financial statements of the US Fund

The Financial Statements and Notes contained in the Annual Report of the US Fund are incorporated by reference into and are deemed for US legal purposes to be part of the Company's SAI. However, for the purpose of section 712 of the *Corporations Act*, this Prospectus does not incorporate the Annual Reports of the US Fund.

Interests of Directors

Details about the Trustees and officers of the US Fund (and details of their remuneration) are referred to in the US Prospectus and SAI. Directors of Vanguard and their related parties may hold interests in US ETF securities from time to time.

Except as set out in this Prospectus, the US Prospectus, or the SAI, as may be updated:

- no Trustee of the US Fund or director of Vanguard has had in the last 2 years before lodgement of this Prospectus, an interest in:
  - the formation or promotion of Vanguard, VGI, the US Fund or the Vanguard All-World ex-US Shares Index ETF;
  - the offer in this Prospectus; or
  - any property acquired or proposed to be acquired by Vanguard, VGI, the US Fund or the Vanguard All-World ex-US Shares Index ETF in connection with its formation or promotion of the offer in this Prospectus; and
- no amounts, whether in cash or shares or otherwise have been paid or agreed to be paid (by anyone), and no benefit has been given or agreed to be given (by anyone), to any Trustee of the US Fund or director of Vanguard, either to induce them to become, or to qualify as, a trustee, a director, or otherwise for services provided by them in connection with the promotion or formation of Vanguard, VGI, the US Fund or the Vanguard All-World ex-US Shares Index ETF or the offer in this Prospectus.

The Trustees of the US Fund and the directors of Vanguard have given and not withdrawn their consent to lodge this Prospectus with ASIC.

US Fund Trustees

The following table provides information about the Trustees of the US Fund.

Name, year of birth	Current position	Trustee / officer since
Interested Trustee		
Mortimer J. Buckley (1969)	Chairman of the Board, Chief Executive Offier, and President	January 2018
Mr. Buckley is considered a “interested persons” of the US Fund, as that term is defined in the Investment Company Act of 1940 (in the US), because they are officers of the US Fund.		
Independent Trustees		
Emerson U. Fullwood (1948)	Trustee	January 2008
Amy Gutmann (1949)	Trustee	June 2006
F. Joseph Loughrey (1949)	Trustee	October 2009
Mark Loughridge (1953)	Lead Independent Trustee	March 2012
Scott C. Malpass (1962)	Trustee	March 2012
Deanna Mulligan (1963)	Trustee	January 2018
André F. Perold (1952)	Trustee	December 2004
Sarah Bloom Raskin (1961)	Trustee	January 2018
Peter F. Volanakis (1955)	Trustee	July 2009

Directors of Vanguard

The table below provides information about the directors of Vanguard.

Name	Current position	Board member since
Francis Kolimago	Director	2018
James M. Norris	Director	2008
Cynthia Lui	Director	2017
Johanna Platt	Director	2017

Interests of other parties

Vanguard is an Australian financial services licensee and the AQUA product issuer of the CDIs. Vanguard will receive from VGI an amount equal to all costs incurred by Vanguard in relation to being the issuer of the cross-listed ETF plus a margin as agreed from time to time.

Consents

FTSE has given and has not withdrawn their consent to the statements relating to FTSE of this Prospectus in the format and context in which they appear.

Consents to lodge Prospectus

This Prospectus has been prepared by Vanguard. Each of the Trustees of the US Fund and the directors of Vanguard has consented to the lodgement of this Prospectus with ASIC.

Incorporating other documents

The US Prospectus and SAI are referred to and incorporated by reference in this Prospectus under section 712 of the *Corporations Act*. The SAI is incorporated by reference into its US Prospectus and for US legal purposes is a part of the US Prospectus.

The US Prospectus and the SAI have been lodged with ASIC, and this Prospectus simply refers to parts of these documents instead of setting out the information that is contained in them. The information below is provided to allow a person to whom the offer is made to decide whether to obtain a copy of either the US Prospectus or the SAI.

The US Prospectus contains information regarding:

- The US Fund's investment objective, fees and expenses, primary investment strategies, principal risks, performance, investment advisor and portfolio manager, purchase and sale of the Fund securities, US tax information and policy on payments to financial intermediaries.
- US ETF Securities and how they differ from conventional mutual fund securities.
- How to buy and sell US ETF Securities.
- Share class overview, market exposure, security selection, other investment policies and risks, cash management and temporary investment measures.
- Special risks of US ETF Securities, portfolio holdings disclosure policy and turnover rate.
- The US Fund, VGI and its structure, VGI employees with oversight, US Fund distributions and basic US tax points.
- How the US Fund's net asset value is determined.
- Highlights from the US Fund's financial statements.

The SAI contains information regarding:

- The US Fund's organisational structure and service providers.
- Characteristics of the US Fund's securities.
- US tax status of the US Fund and tax consequences to investors of investing in the US Fund.
- The US Fund's fundamental and non-fundamental policies ("fundamental" policies are those that cannot be changed without shareholder approval).
- The purchase and redemption of the US Fund's non-ETF securities.
- Management of the US Fund.
- Officers and trustees of the US Fund, trustee compensation and trustee ownership of fund securities.
- Portfolio holdings disclosure policies and procedures.
- The US Fund's portfolio managers, including summary information about other accounts they manage and their compensation structure.
- The US Fund's "best execution" policies and brokerage expenses.
- The US Fund's proxy voting guidelines.
- The US ETF share-class, including exchange listing and trading, conversions and exchanges, book entry only system and purchase and redemption of US ETF Securities in creation units.

The US Prospectus and SAI may be amended or supplemented from time to time. Documents that amend the US Prospectus and SAI may be incorporated by reference into this Prospectus under section 712 of the *Corporations Act.*

Copies of the documents incorporated in this Prospectus (including the US Prospectus and SAI) and documents amending the US Prospectus and SAI may be obtained by contacting Vanguard ETF Capital Markets Team on 1300 655 888 or by visiting Vanguard's website at www.vanguard.com.au. These documents will be available free of charge.

Other filings in the US

Certain other documents which may be filed or prepared by VGI in the US subsequent to the date of this Prospectus (other than those documents identified above) may be incorporated by reference in the US Prospectus. Such documents (if any) cannot (for legal and timing reasons) be taken to be included in this Prospectus under section 712 of the *Corporations Act*. Such documents (if any) may be given to the ASX as announcements by Vanguard and will be made available on Vanguard's website.

ASX confirmations and waivers

The ASX has granted Vanguard a confirmation under the ASX Market Rules that for the purposes of ASX Market Rule 2.10 (ASX Operating Rule 7100), the Vanguard All-World ex-US Shares Index ETF constitutes an 'ETF'.

The ASX has granted Vanguard a waiver from ASX Market Rule 10A.4.1 (ASX Operating Rule Schedule 10A.4.1) such that the investment strategies or policies can be amended without the approval of 75% of votes cast on a proposed resolution. Any change to the investment strategies or policies of the US Fund will be subject to the requirements as set out in the US Prospectus. In this regard, the board of trustees of the US Fund, which oversees the management of the US Fund, may change investment strategies or policies in the interests of shareholders without a shareholder vote. For this reason, it is unlikely that an Australian investor would be able to influence the outcome of a change in the investment strategies or policies.

ASIC relief

ASIC has issued an instrument of relief INS 09-00290 dated 16 April 2009, relating to offers for sale of CDIs on the ASX. ASIC has also issued an instrument of relief INS 09-00289 dated 16 April 2009, relating to the ability of Vanguard Investments Australia Ltd to offer CDIs under a Prospectus.

If you have a complaint

If investors have a complaint regarding the Vanguard All-World ex-US Shares Index ETF or services provided by Vanguard, please contact Vanguard Client Services on 1300 655 102 from 8:00am to 6:00pm AEDT/AEDT, Monday to Friday.

If the complaint is not satisfactorily resolved, you can refer the matter in writing to:

Client Services Manager, Vanguard Investments Australia Ltd, GPO Box 3006, Melbourne Vic 3001.

Vanguard will try to resolve your complaint and get back to you as soon as possible, but in any event we will provide a final response within 45 days of receipt.

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides a fair and independent financial services complaint resolution service that is free to consumers. You can contact AFCA on 1800 931 678 (free call) or email on info@afca.org.au.

Privacy policy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information. Vanguard is committed to respecting the privacy of your personal information. Vanguard's privacy policy states how Vanguard manages personal information.

Vanguard may collect personal information from external sources, such as the share registrar – Computershare or through third parties such as brokers, and may collect additional personal information from you in the course of managing your investment. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*.

Vanguard may provide personal information to an investor's financial adviser if written consent is provided to Vanguard. Vanguard may be required to disclose personal information to regulators, including authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre ("AUSTRAC") in connection with anti-money laundering and counter-terrorism financing.

Vanguard may provide an investor's personal information to its service providers such as Computershare for certain related purposes (as described under the *Privacy Act 1988 (Cth)*) such as account administration and the production and mailing of statements. Vanguard may also use an investor's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep investors informed of Vanguard's products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

Vanguard will assume consent to personal information being used for the purposes of providing information on services offered by Vanguard and being disclosed to market research companies for the purposes of analysing Vanguard's investment base, unless otherwise advised.

For a complete description of how personal information may be handled (including other potential uses), please see Vanguard's privacy policy at www.vanguard.com.au or contact the Vanguard ETF Capital Markets Team on 1300 655 888. You may request to update or access any personal information we hold about you.

US Foreign Account Tax Compliance Act (FATCA) and Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard (CRS)

FATCA is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires reporting of US persons' direct and indirect ownership of non-US accounts and non-US entities to the US Internal Revenue Service (IRS). Similarly, the OECD has established CRS, also known as the Standard for Automatic Exchange of Financial Account Information (AEOI), which requires participating jurisdictions to obtain information from their financial institutions and exchange it with other participating jurisdictions. CRS/AEOI became effective in Australia on 1 July 2017.

Under FATCA, the Australian Government has entered into an Inter-Governmental Agreement (IGA) with the Government of the United States of America for reciprocal exchange of taxpayer information. Under the IGA, financial institutions operating in Australia report information to the Australian Taxation Office (ATO) rather than the IRS. The ATO may then pass the information on to the IRS.

The US Fund or its authorised agents, such as the registrar – Computershare, may request such information or documents from you as is necessary to verify your identity and FATCA and AEOI status, including self-certification forms. The US Fund or its authorised agents may disclose this information to the IRS or ATO (who may share this information with other tax authorities) as necessary to comply with FATCA, the IGA, AEOI or applicable implementing law or regulation.

Vanguard is not able to provide tax advice and strongly encourages investors to seek the advice of an experienced tax advisor to determine what actions investors may need to take in order to comply with FATCA and AEOI.

Anti-money laundering and counter-terrorism financing

Vanguard is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Laws)*. By acquiring the CDIs, the investor agrees that:

- they do not purchase or redeem US ETF Securities or buy or sell CDIs under an assumed name;
- money used to acquire the securities is not derived from or related to any criminal activities;
- any proceeds of the investment will not be used in relation to any criminal or terrorist financing activities;
- the investor will provide the information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor and any beneficial interest in the CDIs, or the source of funds used to invest)

Vanguard may obtain information about you from third parties if it is believed this is necessary to comply with AML/CTF Laws. In order to comply with AML/CTF Laws. Vanguard may be required to disclose information to relevant regulators of AML/CTF Laws (whether in or outside of Australia).

6. Glossary

AEDT means Australian Eastern Daylight Time

AEST means Australian Eastern Standard Time

ASX means ASX Limited

ASIC means the Australian Securities and Investments Commission

Authorised Participant is a participant in the Depository Trust Company that has executed a Participant Agreement with Vanguard Marketing Corporation (a VGI subsidiary) in order to be eligible to purchase and redeem US ETF Securities with the US Fund.

AQUA Rules mean Schedule 10A of the ASX Operating Rules

CDIs means CHESS Depositary Interests

CHESS means the Clearing House Electronic Subregister System

CHESS Depositary Nominees means CHESS Depositary Nominees Pty Limited

Depository Trust Company or DTC means the company that is defined in this Prospectus

Eligible Investor means stockbrokers acting as principal, that is persons who have been authorised as 'trading participants' under the ASX Operating Rules

Pricing Basket means a basket of securities that is created to track the movements of a Fund, to assist with intra-day pricing.

SAI means the latest Vanguard International Equity Index Funds Statement of Additional Information for the US Fund lodged with ASIC and includes any documents lodged with ASIC that update the SAI

US Fund means the Vanguard FTSE All-World ex-US Index Fund

US Prospectus is the latest prospectus of the US ETF Securities lodged with ASIC and includes any documents lodged with ASIC that update the US Prospectus

US ETF Security or US ETF Securities means exchange traded fund shares in the US Fund - the Vanguard FTSE All-World ex-US ETF

Vanguard means Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263)

VGI means The Vanguard Group, Inc.

FTSE Disclaimer

The Vanguard All-World ex-US Shares Index ETF (the "Product") has been developed solely by Vanguard. The "Product" is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). FTSE Russell is a trading name of certain LSE Group companies. All rights in the FTSE All-World ex US Index (the "Index") vest in the relevant LSE Group company which owns the Index e.g., "FTSE®" "Russell®", "FTSE Russell®", are a trade mark(s) of the relevant LSE Group company and are used by any other LSE Group company under license. The Index is calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Index or (b) investment in or operation of the Product. The LSE Group makes no claim, prediction, warranty or representation either as to the results to be obtained from the Product or the suitability of the Index for the purpose to which it is being put by Vanguard.

Connect with Vanguard™ > vanguard.com.au

Vanguard Investments Australia Ltd
(The Product Issuer)

Registered office
Level 13
130 Lonsdale Street
Melbourne Vic 3000

Postal address
GPO Box 3006
Melbourne Vic 3001

Vanguard Client Services
8:00 am to 6:00 pm (AEDT/AEST) Monday to Friday
Monday to Friday

Telephone:	1300 655 101
Facsimile:	1300 765 712
E-mail:	clientservices@vanguard.com.au

Vanguard Adviser Services
8:00 am to 6:00 pm (AEDT/AEST) Monday to Friday
Monday to Friday

Telephone:	1300 655 205
Facsimile:	1300 765 712
E-mail:	adviserservices@vanguard.com.au

Vanguard ETF Capital Markets Team
10:00 am to 5:00 pm (AEDT/AEST) Monday to Friday
Monday to Friday

Telephone:	1300 655 888
Facsimile:	1300 765 712
E-mail:	etf@vanguard.com.au

ASX enquiries
131 279 (within Australia)
+61 2 9338 0000 (outside Australia)

PDSVEU 072020

Argo Investing in Australia

2020
Annual Report

Directory

Argo Investments Limited
ABN 35 007 519 520

Non-executive Directors

Russell A. Higgins AO, Chairman
Anne B. Brennan
Christopher E. Cuffe AO
Roger A. Davis
Elizabeth A. Lewin
Joycelyn C. Morton

Managing Director

Jason Beddow

Chief Operating Officer

Timothy C.A. Binks

Chief Financial Officer

Andrew B. Hill

Auditor

PricewaterhouseCoopers

Registered Head Office

Level 25, 91 King William Street
Adelaide SA 5000
Telephone: (08) 8210 9500
Facsimile: (08) 8212 1658
invest@argoinvestments.com.au
www.argoinvestments.com.au

Sydney Office

Level 37, 259 George Street
Sydney NSW 2000
Telephone: (02) 8274 4700
Facsimile: (02) 8274 4777

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Telephone: 1300 350 716
argo@boardroomlimited.com.au
www.investorserve.com.au

"Argo's objective is to maximise long-term returns to shareholders through a balance of capital and dividend growth. It does this by investing in a diversified Australian equities portfolio which is actively managed in a tax-aware manner within a low-cost structure."

Annual General Meeting

Due to the COVID-19 pandemic, Argo's Annual General Meeting (AGM) will be a virtual meeting conducted online on **Monday 26 October 2020**.

Further details for the AGM will be advised with the Notice of Annual General Meeting which will be distributed to shareholders in September.

Argo's information meetings in various capital cities unfortunately will not be held this year. We are hopeful that we will be able to hold our information meetings next year.

2020 Overview

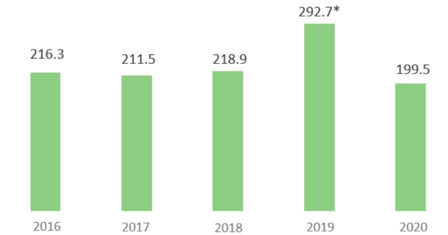
Net tangible assets per share*	Management expense ratio	Shareholders
$7.27	**0.16%**	**92,342**
Profit	Full year dividends, fully franked	Earnings per share
$199.5m	**30.0c**	**27.8c**

*at 30 June 2020

Contents

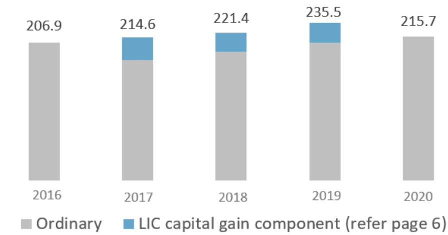
Five year summary

Profit ($ millions)

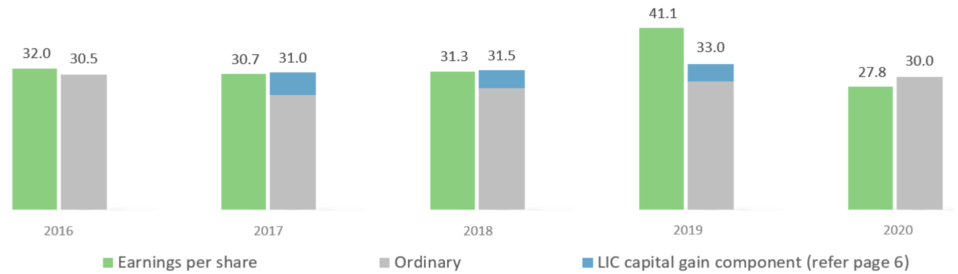


* includes demerger dividend

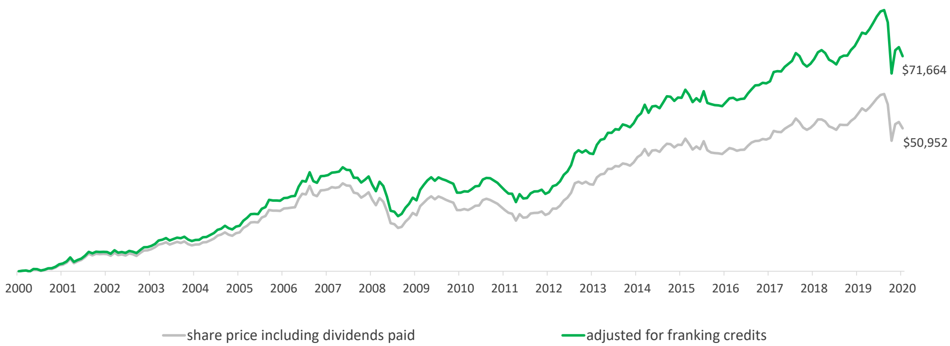
Total dividends ($ millions)



Earnings and dividends (cents per share)

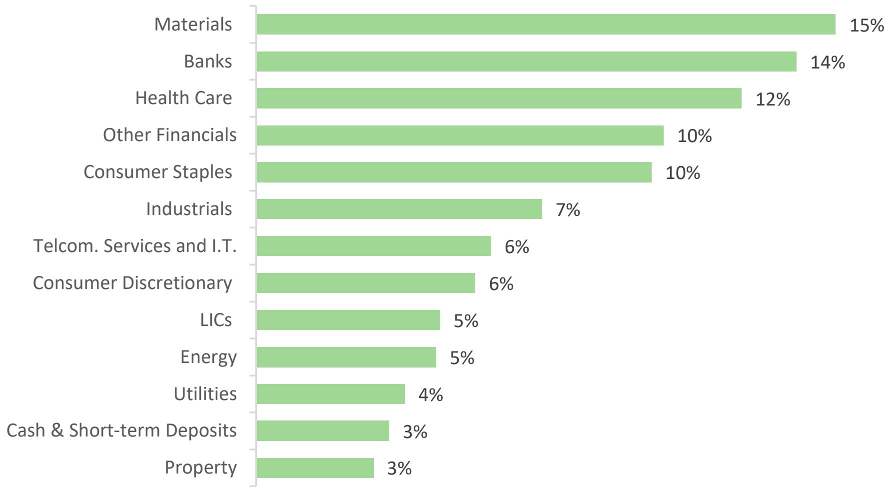


Total returns value of $10,000 invested over 20 years



A $10,000 investment in Argo shares on 1 July 2000 would have grown to a value of $50,952 at 30 June 2020. The tax effective value taking into account franking credits is $71,664.

Investment portfolio sector allocation at 30 June 2020



20 largest investments at 30 June 2020

	$m	**% of portfolio**
CSL	319.5	6.1
Macquarie Group	291.5	5.6
BHP Group	265.3	5.1
Wesfarmers	225.9	4.3
Commonwealth Bank of Australia	215.5	4.1
Westpac Banking Group	213.8	4.1
Rio Tinto	205.4	3.9
Australia and New Zealand Group	182.0	3.5
Telstra Corporation	139.3	2.7
Ramsay Health Care	137.1	2.6
APA Group	121.1	2.3
Woolworths Group	120.4	2.3
Transurban Group	116.9	2.2
Australian United Investment Company	115.2	2.2
National Australia Bank	115.0	2.2
Sonic Healthcare	110.3	2.1
Coles Group	86.5	1.6
Sydney Airport	83.7	1.6
Aristocrat Leisure	83.2	1.6
Amcor plc	80.6	1.5
	3,228.2	**61.6**
Cash and Short-term Deposits	**178.7**	**3.4**

Company profile

Argo Investments Limited was established in 1946 and is a leading Australian listed investment company with a market capitalisation at 30 June 2020 of $5.2 billion.

Argo shares offer investors a low cost, professionally managed entry to the Australian sharemarket.

Argo is ranked by market capitalisation in the top 100 companies listed on the Australian Securities Exchange (ASX code: ARG).

Argo seeks to provide long-term capital growth and a regular income stream to over 92,000 shareholders.

Argo's total assets were $5.3 billion at 30 June 2020 and are invested predominantly in the shares of companies listed on the Australian Securities Exchange (ASX).

Argo's Board of Directors and management team are both experienced and highly qualified, which are considered essential qualities for the effective surveillance of a long-term investment portfolio. The Board currently consists of six Non-executive Directors and the Managing Director.

The investment philosophy followed by Argo is straightforward. Management aims to provide consistent tax-effective income combined with long-term capital growth, by investing in a diversified portfolio of securities. The portfolio contains investments in 89 companies and trusts representing a cross section of Australia's enterprises, including a number with substantial overseas operations. A long-term investment philosophy is adopted in selecting the portfolio which extends beyond the larger companies to include smaller companies where there is judged to be good quality management and prospects for sound earnings growth.

Successful equity investing depends on good quality research and analysis. Argo's investment team includes the Managing Director and a number of specialist research analysts. The research has two objectives: to monitor the portfolio of leading stocks and smaller companies, and to find new investments to complement the portfolio. The investment goal is to identify well-managed businesses with the potential and ability to generate growing and sustainable profits to fund increasing dividend payments.

Due to the spread of investments within the Company's portfolio, Argo shares are particularly suitable for investors who seek to maximise long-term returns through a balance of capital and dividend growth. This could include investors who are looking for broad exposure to the Australian sharemarket, passive investors and self-managed superannuation funds.

Argo shares can be purchased through any sharebroker and the market price of the shares is quoted on the ASX. There are no fees charged to Argo shareholders. Being a securities exchange listed company, only stockbrokers' charges apply.

Further information

We encourage investors to visit the Argo website at www.argoinvestments.com.au to obtain further up to date information about the Company's operations.

Shareholder benefits

Low-cost, internally managed

Internal management structure ensures low operating costs and no external fees. For the year ended 30 June 2020, total operating costs were 0.16% of average assets at market value.

Diversified and administratively simple

Exposure to a highly diversified portfolio of Australian equities through a single ASX trade.

Long-term, proven investment approach

Resilience and growth through various market cycles and conditions over almost 75 years.

Fully-franked, sustainable dividends

Dividends paid every year since inception in 1946 and fully franked since 1995. If Argo makes a discounted capital gain, the capital gains tax discount can be passed on to shareholders (LIC capital gain).

Experienced board and management team

Highly experienced board and management team with strong governance and culture.

Strong balance sheet with no debt

Conservatively managed investment with a strong balance sheet and no debt.

Dividend Reinvestment Plan (DRP)

Argo's DRP gives shareholders the opportunity to reinvest their dividends. In addition, Argo has a Share Purchase Plan (SPP) which, when offered, gives shareholders the opportunity to acquire additional shares (up to $30,000) with no brokerage or transactions costs.

Directors' Report

The Directors present their Seventy Fourth Annual Report together with the financial report of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company), for the financial year ended 30 June 2020, including the Independent Auditor's Report.

DIRECTORS

At the date of this report, the Board comprised six Non-executive Directors and the Managing Director.

The Directors in office during or since the end of the financial year are as follows:

Russell Allan Higgins AO BEc, FAICD
Non-executive Chairman – Independent

Mr. Higgins joined the Board in 2011 and was appointed Chairman in 2018. He is also a member of the Remuneration Committee.

He has an extensive background in the energy and infrastructure sectors and in economic and fiscal policy, both locally and internationally. He is an experienced company director who has also held senior government positions.

Mr. Higgins is also Chairman of Argo Global Listed Infrastructure Ltd (since 2018) and was previously a Non-executive Director of APA Group (2004 to 2019) and Telstra Corporation Ltd (2009 to 2018). He was appointed Chair of Telstra Foundation Ltd in 2019.

Anne Bernadette Brennan BCom(Hons), FCA, FAICD
Non-executive Director – Independent

Ms. Brennan joined the Board in 2011 and is Chair of the Audit & Risk Committee.

She has extensive financial experience gained over many years in a variety of senior management roles with large corporates and chartered accounting firms, particularly in the areas of audit, corporate finance and transaction services.

Ms. Brennan is also a Non-executive Director of Charter Hall Group (since 2010), Nufarm Ltd (since 2011 and is retiring in December 2020), Rabobank Australia and New Zealand Ltd (since 2011), Spark Infrastructure Group (since June 2020) and Tabcorp Ltd (since February 2020). She was previously a Non-executive Director of Myer Holdings Ltd (2009 to 2017) and Metcash Ltd (2018 to 2019).

Christopher Edgar Cuffe AO BCom, FCA, FFin, FAICD
Non-executive Director – Independent

Mr. Cuffe joined the Board in 2016 and is a member of the Audit & Risk Committee.

He is well known in the wealth management and philanthropic sectors. He is a former Chief Executive Officer of Colonial First State and Challenger Financial Services Group, and a former Chairman of UniSuper Ltd.

Mr. Cuffe is also Chairman of Hearts and Minds Investments Ltd (since 2018) and is a Non-executive Director of Global Value Fund Ltd (since 2014) and Antipodes Global Investment Company Ltd (since 2016). He was previously a Non-executive Director of Class Ltd (2017 to 2020).

Roger Andrew Davis BEc(Hons), MPhil(Oxon), FCPA
Non-executive Director – Independent

Mr. Davis joined the Board in 2012 and is Chair of the Remuneration Committee.

He is a Rhodes Scholar and has over 30 years' experience in banking and investment banking in Australia, Japan and the US.

Mr. Davis is also a Non-executive Director and Chairman of Charter Hall Retail (since 2018), Chairman of AIG Australia Ltd (Director since 2010) and a consultant at Rothschild Australia Ltd (since 2003). He was previously a Non-executive Director and Chairman of Bank of Queensland (2008 to 2019), and a Non-executive Director of Aristocrat Leisure Ltd (2005 to 2017) and Ardent Leisure Ltd (2008 to 2018).

Elizabeth Anne Lewin GAICD
Non-executive Director – Independent

Ms. Lewin joined the Board in 2018 and is a member of the Remuneration Committee.

She has over 25 years of international experience in the financial services sector, with an extensive background in wealth management, investment banking and superannuation as a director and a senior executive.

Ms. Lewin was previously a Non-executive Director of Colonial First State Investments Ltd (2015 to 2018), Colonial Mutual Superannuation Pty Ltd (2015 to 2018) and Avanteos Investments Ltd (2015 to 2018).

Joycelyn Cheryl Morton BEc, FCA, FCPA, FIPA, FGIA, FAICD
Non-executive Director – Independent

Ms. Morton joined the Board in 2012 and is a member of the Audit & Risk Committee.

She has an extensive business and accounting background and has worked in a number of senior financial roles both in Australia and internationally, with particular expertise in taxation.

Ms. Morton is also a Non-executive Director of Argo Global Listed Infrastructure Ltd (since 2015), Beach Energy Ltd (since 2018), Snowy Hydro Ltd (since 2012) and ASC Pty Ltd (since 2017). She was previously a Non-executive Director of Thorn Group Ltd (2011 to 2018) and Invocare Ltd (2015 to 2018).

Jason Beddow BEng, GdipAppFin(SecInst)

Managing Director – Non-independent

Mr. Beddow has an engineering and investment background. He joined the Company in 2001 as an Investment Analyst and became Chief Investment Officer in 2008. He was appointed Chief Executive Officer in 2010 and Managing Director in 2014.

Mr Beddow is also Managing Director of Argo Global Listed Infrastructure Ltd (since 2015).

DIRECTORS' RELEVANT INTERESTS

The Directors' relevant interests in shares and executive performance rights, as notified to the ASX in accordance with the *Corporations Act 2001,* at the date of this report are as follows:

	Shares	Performance Rights
R.A. Higgins AO	101,049	-
J. Beddow	338,589	340,827
A.B. Brennan	16,308	-
C.E. Cuffe AO	15,000	-
R.A. Davis	31,622	-
E.A. Lewin	13,270	-
J.C. Morton	26,881	-

BOARD AND COMMITTEE MEETINGS

At the date of this report, the Board has an Audit & Risk Committee and a Remuneration Committee.

There were 7 Board meetings, 4 Audit & Risk Committee meetings and 3 Remuneration Committee meetings held during the financial year. The number of meetings attended during the financial year by each of the Directors while in office were:

	Board		Audit & Risk Committee		Remuneration Committee	
	No. of meetings held while a Director	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
R.A. Higgins AO	7	7	-	4*	3	3
J. Beddow	7	7	-	4*	-	3*
A.B. Brennan	7	7	4	4	-	-
C.E. Cuffe AO	7	7	4	4	-	-
R.A. Davis	7	7	-	2*	3	3
E.A. Lewin	7	7	-	2*	3	3
J.C. Morton	7	7	4	4	-	-

* By invitation

SECRETARY

Timothy Campbell Agar Binks BEc, CA, FGIA, GAICD held the role of Company Secretary during the year and at the date of this report.

Mr. Binks joined the Company in 2007 and has a background in accounting, funds management and stockbroking. He was appointed Company Secretary in 2010 and Chief Operating Officer in 2015, whilst still maintaining the company secretarial duties.

PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS

The principal activities of the Company during the financial year were the investment of funds in Australian listed securities and short-term interest bearing securities. The Company's wholly owned subsidiary also provides management services to an external listed investment company under an Australian Financial Services Licence. More details are provided in the Operating and Financial Review below.

OPERATING AND FINANCIAL REVIEW

Summary of business model

Argo Investments Limited is a listed investment company which actively manages a diversified Australian equities portfolio in a tax-aware manner within a low-cost structure, with the objective of maximising long-term returns to shareholders through a balance of capital and dividend growth.

Argo generates the majority of its income by 'harvesting' the dividends and distributions received from the companies and trusts in its investment portfolio. Additional income is derived from interest earned on cash deposits, premium income from selling exchange-traded options, a small amount of share trading activity and fee income from managing an external listed investment company. Dividends and distributions made up 93% of Argo's income from operating activities for the financial year, with the portfolio's top 20 equity investments generating 62% of that income.

Argo's operational costs are relatively stable and are lower than those of most other managed investment products due to its internally managed listed investment company structure. In the 2020 financial year the Company's total operating costs were equivalent to 0.16% of average assets, which is very low by industry standards. Argo's main expense items are remuneration, share registry fees and office rent.

The above characteristics make for an efficient business model which benefits from economies of scale. The low proportion of variable costs implies that in general, profit will fluctuate according to the performance, and in particular the dividend payout policies, of each of the companies and trusts in the investment portfolio. At balance date there were 89 different stocks in the portfolio, providing the Company with dividend income from a diverse range of industries.

The majority of Argo's profit is paid out as dividends to its shareholders, with fully franked dividends a priority. Argo has paid dividends every year since it was established in 1946.

Argo shares offer investors a professionally managed, diversified and easily traded exposure to the Australian equity market, without the need to pay fees to an external investment manager.

For the last 20 years, the Company's investment portfolio has produced a compound return of +8.0% per annum, as measured by the movement in net tangible asset backing (NTA) per share assuming dividends paid are reinvested. This return is after payment of all costs and tax and compares to a return of +7.4% per annum from the S&P ASX 200 Accumulation Index, which does not take into account any costs or tax. In addition, Argo's total shareholder return (TSR) based on the share price over the same 20 year period was +8.5% per annum, and +10.3% including the franking credits attached to the dividend payments.

In addition to managing Argo's portfolio and operations, the Company's wholly owned subsidiary, Argo Service Company Pty Ltd, manages an external listed investment company, Argo Global Listed Infrastructure Limited (ALI). The management activities are carried out by Argo personnel and include administration, financial reporting, company secretarial duties and supervision of ALI's share registry, asset custodian and its US-based portfolio manager.

Investment process

The investment team, led by the Managing Director, is responsible for constructing and maintaining an appropriately diversified portfolio which generates dividend income and long-term capital growth.

The investment process, which involves the monitoring and review of existing investments as well as analysing potential new investments, includes extensive research, company visits and industry studies, as well as economic analysis to help identify emerging trends and assist with the timing of transactions.

The closed-end structure of a listed investment company is ideally suited to building a long-term portfolio, as Argo does not experience investor redemptions which might otherwise force desirable long-term holdings to be sold. Instead, shareholders wishing to liquidate their holding in Argo simply sell their shares on the share market. This stability allows Argo to take advantage of short-term market fluctuations in order to buy or add to long-term holdings when prices trade below the long-term valuations calculated by the investment team.

Review of activities and events during the year ended 30 June 2020

The first half of the financial year produced positive returns for the Australian share market, despite the threat of global trade wars and the devastating summer bushfires. Our market was trading at records highs in late February 2020, when the quintessential black swan event hit the world.

The COVID-19 pandemic saw global equity markets post some of their steepest ever falls in March, exacerbated by dramatic oil price weakness. Many countries imposed strong lockdown and social distancing measures to help minimise the spread of infections, prompting swift and unprecedented responses from central banks and governments to do 'whatever it takes' to help protect jobs and limit the damage to economies.

In Australia, the S&P ASX 200 Index lost just over a third of its value from its high in February, with the Australian dollar dropping sharply at the same time to a 17-year low of US$0.55. As the crisis developed and the economic outlook became increasingly uncertain, many ASX-listed companies withdrew their earnings guidance and cancelled, cut or deferred dividends payments.

However, as time passed, some governments became more concerned with economic risks than health risks, and started to re-open their economies in stages. Despite the lack of a vaccine for the virus, investors quickly became optimistic about economic recovery and markets bounced back strongly over the last quarter of the financial year. The Australian share market recovered by nearly 30% to 30 June 2020 following massive economic stimulus packages from the Federal Government and interest rate cuts to record lows.

The majority of industry sectors in Australia recorded negative returns for the financial year, including energy, banks, capital goods, insurance, consumer discretionary and property. The sectors which held up well in the face of the virus impacts to record positive returns were consumer staples, pharmaceuticals, information technology and healthcare.

These price movements, together with active portfolio management decisions, have seen a shift in the composition of Argo's top 10 holdings over the year. By 30 June 2020, CSL had become our largest holding followed by Macquarie Group, with the major banks slipping down the order.

Operationally, the impacts of social distancing on Argo's staff and administrative and investment functions have been minimal. Argo has been well placed to cope, given its small workforce located in two separate offices and the nature of its operations, most of which can be conducted remotely. Regular meetings with our investee companies have continued online.

During the year, $243 million was outlaid on long-term investment purchases and $127 million was received due to disposals and takeover proceeds. The larger movements in the long-term portfolio during the year included:

Purchases	*Sales*
AP Eagers *(Automotive Holdings takeover)*	AMP
Downer EDI	Ansell
Freedom Foods Group	Automotive Holdings *(AP Eagers takeover)* **
Oil Search	Corporate Travel Management **
Ramsay Health Care	Dulux Group *(Nippon Paint takeover)* **
Suncorp Group	Milton Corporation
Treasury Wine Estates *	Nufarm **

* New portfolio position

** Sale of complete position and removal from portfolio.

Other stocks exited were Incitec Pivot, Paragon Care and Regis Healthcare, with the total number of holdings in the portfolio decreasing from 95 to 89.

There were a number of capital raisings by corporates as the COVID-19 crisis developed. During April, Argo participated in raisings by Invocare, Lendlease Group, Monash IVF Group, Oil Search, QBE Insurance Group, Ramsay Health Care and Reece.

At the end of an extraordinary year, Argo's investment portfolio had returned -10.1% after deducting all costs and tax (measured by the movement in NTA assuming dividends paid are reinvested) and Argo's share price performance returned -7.8% for the financial year, with the share price at a slight discount to NTA after trading at a premium for the first few months of the COVID-19 crisis.

Argo's portfolio underperformed the broader Australian share market over the financial year, due chiefly to underweight positions in information technology and gold stocks, which have risen strongly in price. These sectors tend to be under-represented in Argo's portfolio as their dividend payments are generally relatively low.

There has been no change to the composition of the Board of Directors during the financial year.

Discussion of results and financial position

Argo's reported profit for the year ended 30 June 2020 was 31.9% lower than the prior year and earnings per share fell by 32.4%. This significant reduction was due to two factors. Firstly, the prior year's profit included a $36.1 million one-off income item arising from the demerger of Coles Group from Wesfarmers. Secondly, the effects of COVID-19 caused many of our investee companies to cut or defer the dividends we would have otherwise received in the second half of the financial year.

The biggest dividend income declines for Argo occurred in the financial sector, with substantial dividend cuts or deferrals from ANZ Banking Group, National Australia Bank, Westpac Banking Corporation and Macquarie Group.

Income from option writing and trading increased this year, although interest received on cash deposits was slightly lower, reflecting lower interest rates and less cash on hand.

Dividends are very important to Argo shareholders, and after seven consecutive years of increased annual dividends, the Company has been unable to provide another increase due to the effects of the COVID-19 crisis and the very uncertain outlook for the coming 2021 financial year. The final dividend is 3 cents lower than last year, at 14 cents per share fully franked.

Argo’s total assets decreased from $6.1 billion to $5.3 billion over the financial year, chiefly due to the impact of the weaker equity market on the portfolio value. Shareholders also contributed $44.9 million through the Dividend Reinvestment Plan. The number of Argo shareholders has increased again this year, with 92,342 holders on the register at 30 June 2020, including a sharp jump in new holders at the time of the steepest market falls in March.

The cash assets at year end were $178.7 million, representing 3.4% of the Company’s total assets. Cash on hand fluctuates throughout the year according to the timing of dividends received, dividends paid, capital raisings, and investment purchases and disposals.

One measure of the financial position of a listed investment company is its net tangible asset backing (NTA) per share. As a long-term investor, Argo does not intend to dispose of its entire long-term investment portfolio. Therefore, when calculating NTA, Argo values its portfolio using the market price of each listed holding, without providing for estimated tax on gains that would be realised if the entire portfolio was to be sold. At 30 June 2020, this valuation resulted in a NTA per share of $7.27, 13.7% lower than the 30 June 2019 level of $8.42. However, if estimated tax on unrealised gains in the portfolio was to be deducted, the NTA per share at 30 June 2020 would have been $6.56, compared with $7.37 at 30 June 2019. Both NTA figures are updated monthly and announced to the ASX.

Future prospects, strategies and risks

The Company has cash available for additional long-term investment in the equity market, and will continue to focus on producing results in accord with its stated investment objective.

The results of Argo’s future investment activities will depend primarily on the performance of our investee companies, their resulting share price movements and the dividends and distributions we receive from them. Clearly, those prospects will be significantly impacted by the health and economic effects of the COVID-19 pandemic, but to what extent and for how long is virtually impossible to predict. In addition, there will also be specific issues such as management competence, capital strength, industry trends and competitive behaviour which can affect our investee companies.

The benefit of a diversified portfolio is that different companies will be affected in different ways, helping to balance out some of the short-term impacts.

Active portfolio management may require some of the worst-affected stocks to be sold, but Argo is a long-term investor and must also consider the possibilities and opportunities in a post-COVID world, bearing in mind that some industries and consumer trends will not be able to revert to their former state.

Argo will continue to focus on controlling costs and providing tax-effective dividends to shareholders while achieving long-term capital growth.

We expect our dividends to shareholders will remain under pressure whilst governments, central banks, and individual companies grapple with the economic fallout of COVID-19.

Although the constantly changing nature of markets and other investment conditions requires the Company to diligently appraise any opportunities that may present themselves, Argo does not envisage any significant changes to its business model which has stood the test of time through many other adverse events.

MATTERS ARISING SINCE YEAR END

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year which has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years except as stated elsewhere in this report.

DIVIDENDS

A fully franked interim dividend of 16.0 cents per share was paid on 8 March 2020.

On 17 August 2020, the Directors declared a fully franked final dividend of 14.0 cents per share to be paid on 18 September 2020.

Total fully franked dividends for the year amount to 30.0 cents per share. This compares with 33.0 cents per share last year.

The final dividend paid by the Company for the financial year ended 30 June 2019 of $121.5 million and referred to in the Directors' Report dated 12 August 2019 was paid on 13 September 2019.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan (DRP) raised $44.9 million of new capital for investment during the year.

The DRP will operate for the 14.0 cents per share dividend payable on 18 September 2020 and the Directors have resolved that the shares will be allotted to eligible shareholders at the market price of Argo shares, as defined by the DRP. No discount will apply.

SHARE BUY-BACK

The Company has an on-market share buy-back in place, in order that its shares can be bought back and cancelled where they can be purchased at a significant discount to the net tangible asset backing per share. Any such purchases have the effect of increasing the value of the remaining shares on issue.

No share buy-backs occurred during the year.

INDEMNIFICATION OF DIRECTORS AND OFFICERS AND INSURANCE ARRANGEMENTS

The Company indemnifies its past, present and future Directors against liabilities arising out of their position with the Company, except where the liability arises out of conduct involving a lack of good faith. The deed stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid a premium in respect of a Directors' and Officers' insurance policy covering the liability of past, present or future Directors and Officers, including executive officers of the Company. The terms of the policy prohibit disclosure of the details of the amount of insurance cover and the premium paid.

NON-AUDIT SERVICES

Details of the amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services provided during the year are set out in Note 28 to the financial statements on page 65 of this report.

The Board has considered the position and, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

(a) all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

(b) the non-audit services provided do not undermine the general principles relating to audit independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 38.

ENVIRONMENTAL REGULATIONS

The Company's operations are not directly affected by environmental regulations.

ROUNDING OF AMOUNTS

Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Instrument, unless otherwise stated.

REMUNERATION REPORT

This Report explains how the Board structures remuneration to motivate and reward executives for delivering performance that drives the achievement of Argo’s business objectives and creates value for shareholders.

It provides remuneration information regarding the Key Management Personnel (KMP) for the financial year ended 30 June 2020.

KMP are those people who have authority and responsibility for planning, directing and controlling the activities of Argo. This includes the Non-executive Directors and the key executives. The Non-executive Directors during the year were Mr. R.A. Higgins AO (Chairman), Ms. A.B. Brennan, Mr. C.E. Cuffe AO, Mr. R.A. Davis, Ms. E.A. Lewin and Ms. J.C. Morton. Mr. J. Beddow (Managing Director) was an executive Director during the financial year. Other key executives were Mr. T.C.A. Binks (Chief Operating Officer) and Mr. A.B. Hill (Chief Financial Officer).

Contents

Section 1 Principles of remuneration

The Board recognises that remuneration plays an important role in the delivery of Argo’s business objectives and ongoing performance. The Board seeks to achieve the right balance of motivation, challenge and reward for its executives to encourage sustainable delivery of shareholder returns.

The key principles of Argo’s remuneration strategy are:

- Align remuneration structure with shareholder interests
- Attract and retain talent
- Link a significant component of remuneration with the creation of shareholder value through relative outperformance
- Ensure remuneration is competitive and fair

Alignment of the long-term interests of shareholders and executives is achieved by a significant component of executive pay being performance based. This encourages executives to take a long-term approach to decision making and business success without taking excessive risks.

The equity component of any Short-term Incentive (STI) reward is deferred for a two year period and performance under the Long-term Incentive (LTI) is measured over a four year period. The actual remuneration received by executives is subject to Board discretion and reflective of the ongoing performance of the Company over an extended period.

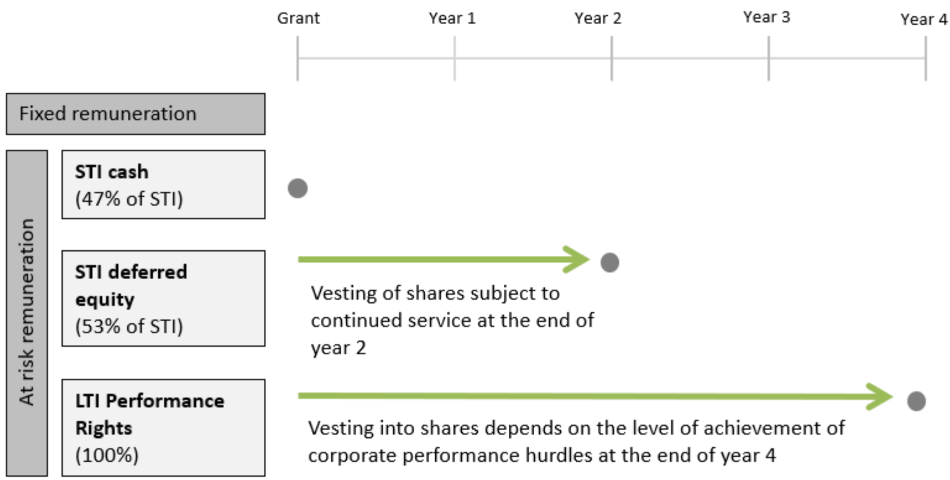
Remuneration reward is measured on a relative basis, reflecting the Company's profitability relative to its peer group and its investment performance relative to the ASX 200 share market index.

Section 2 Executive remuneration structure

The remuneration structure to reward the Company's executives includes a mix of fixed remuneration and short and long-term performance based 'at risk' remuneration which reflects both Company and individual performance.

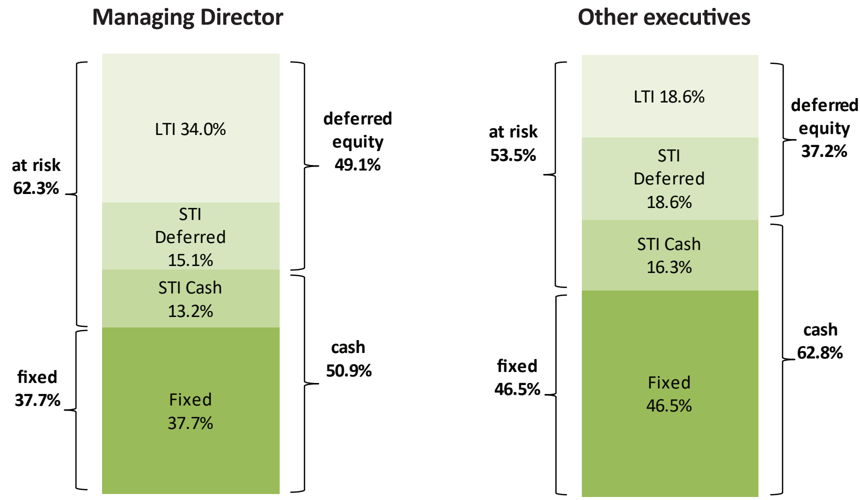
	Fixed	At risk	
	Fixed annual remuneration	Short-term Incentive (STI)	Long-term Incentive (LTI)
Description	Base salary including superannuation	Reward for strong individual and Company performance over one year	Reward for strong Company performance over four years
Designed to	Attract and reward talented executives	Motivate superior executive performance during the year and retain talent	Align executive and shareholder interests over the long-term and retain talent
Achieved by	Ensuring competitive and appropriate compared to market benchmarks	Setting challenging key Company and individual performance indicators that align with business objectives	Only vesting into shares to the extent that the Company outperforms the ASX200 Index and its peer group over a four year period

Remuneration structure



Total target remuneration mix for year ended 30 June 2020

The following illustration is modelled on the executives' maximum remuneration opportunity for the year under review. Actual remuneration for executives will differ due to the variable nature of the 'at risk' remuneration components.



Fixed annual remuneration

What is fixed annual remuneration (FAR)?	All executives are offered a FAR component that is not performance based and is inclusive of statutory superannuation and any agreed salary sacrifice arrangement
How is FAR assessed?	The Board and Remuneration Committee review the levels of FAR annually, taking into account industry benchmarking, market factors and independent advice

Performance linked remuneration

The Short-term Incentive (STI) and Long-term Incentive (LTI) are described as 'at risk' because the amount earned (if any) depends on the extent that key performance conditions are met or exceeded.

Changes to executive remuneration for year ended 30 June 2020

Total Portfolio Return (TPR) Performance measurement

The Company's TPR Performance is one of two financial performance indicators used to determine STI and LTI awards. In order to better compare Argo's TPR Performance to the benchmark S&P ASX 200 Accumulation Index, TPR Performance will no longer be grossed up for franking credits on dividends paid to shareholders.

Instead, TPR will be adjusted to remove the effect of company tax paid by Argo, which will better align with the index returns which are not subject to company tax.

LTI vesting proportions when TPR outperformance is achieved

To better align executive remuneration with shareholder outcomes the vesting conditions for the LTI TPR tranche of performance rights has increased from 25% vesting to 40% vesting if the performance hurdle of matching the movement in the S&P ASX 200 Accumulation Index over the performance period is achieved. If outperformance of the performance hurdle (by up to +100 bps) is achieved, then the number of performance rights to vest into shares will be calculated on a straight-line pro-rata basis.

These changes have been applied to performance rights granted for the financial year ended 30 June 2020.

Short-term incentive (STI)

What is the STI?	The STI is performance linked remuneration awarded annually to executives and is determined by reference to both the Company's financial performance and an executive's individual performance
What is the performance period?	One year
What is the value of the STI?	The STI ranges from 0-75% of an executive's fixed annual remuneration and is awarded 47% in cash and 53% in deferred STI performance rights
What does deferred mean?	The STI performance rights vest into Argo shares two years after grant, subject to continued service with the Company
What are the performance indicators?	Performance indicators comprise both key Company financial and individual objectives

What are the Company financial performance indicators?	1. TPR Performance: the Total Portfolio Return (TPR)* of the Company, adjusted for company tax paid or payable, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period 2. EPS Performance: the Company must achieve a superior one year earnings per share (EPS)** performance relative to its approved listed investment company (LIC) peer group * *independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested* ** *the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis*
What are the individual performance indicators?	Individual performance indicators are uniquely set for each executive, depending on their role and responsibilities Indicators may include strategic direction, analyst stock recommendations, risk management, succession planning, marketing, communication with internal and external stakeholders and management of Argo Global Listed Infrastructure Limited
How does the STI align with shareholder interests?	The STI is designed to challenge, motivate and reward executives to improve the Company's performance by meeting or exceeding business objectives, both financial and non-financial The STI supports the retention of high performing executives as the award comprises deferred STI performance rights which vest into shares two years later, subject to continued service The STI provides executives with the opportunity to hold equity in the Company, better aligning their interests with those of shareholders
How is STI achievement assessed?	STI achievement is measured annually by the Board and the Remuneration Committee

Long-term incentive (LTI)

What is the LTI?	The LTI is performance linked remuneration offered annually to executives and is determined by reference to the Company's financial performance over the performance period It is issued in two equal tranches, each subject to different performance hurdles
What is the performance period?	Four years
What is the value of the LTI?	LTI performance rights are granted to the value of 90% of the Managing Director's fixed annual remuneration and 40% of the other executives' fixed annual remuneration The quantity of LTI performance rights that actually vest into shares for each executive will depend upon the Company's performance against the performance hurdles of each tranche over the performance period and includes an ongoing service condition
How is the LTI aligned with shareholder interests?	The LTI is designed to create a strong link between the long-term performance of the Company relative to the ASX 200 Index and relative to the performance of its listed investment company peer group LTI grants are based solely on financial performance, closely aligning shareholder value and executive reward
What are the Performance hurdles?	Tranche 1- TPR Performance: the Total Portfolio Return (TPR)* of the Company, adjusted for company tax paid or payable, must exceed the movement in the S&P ASX 200 Accumulation Index over the performance period Tranche 2- EPS Performance: the Earnings Per Share (EPS)** over the performance period must exceed the average of the EPS performance of those member companies of the Australian Listed Investment Companies Association, excluding the Company, which have Australian equity portfolios * *independently calculated and based on the movement in net tangible asset backing per share before providing for tax on unrealised gains in the portfolio and assuming dividends paid are reinvested* ** *the Company's non-dilutive earnings per share which is measured as the profit for the year of the consolidated entity divided by the weighted average number of shares on issue over the performance period and as calculated by the Board on a comparable basis*

Why were these performance hurdles chosen?	The ASX 200 is the benchmark index that tracks the combined movements of the largest 200 listed companies in Australia. It is the most appropriate measure of the Company's investment performance relative to the broader market EPS gauges how profitable the Company is per share and is therefore indicative of the Company's ability to pay dividends that will grow over time
How does the LTI vest?	The LTI is tested four years after grant, and any performance rights that do not vest at the performance measurement date, lapse without value

Level of performance condition achieved	*% of Performance Rights to vest into shares*
Tranche 1 -TPR Performance	
Underperform condition	Nil
Achieve (match) condition	40% vesting
Outperform condition by up to 100 bps	40-100% straight-line pro-rata vesting
Tranche 2 -EPS Performance	
Underperform condition	Nil
Achieve (match) condition	25% vesting
Outperform condition by 0-30%	25-100% straight-line pro-rata vesting

The final vesting proportions may be reduced in the event of negative absolute returns as follows:

- If the Company's absolute TPR is negative, only a maximum of 50% of the TPR Performance Rights can vest
- If the Company's absolute EPS growth is negative, none of the EPS performance rights will vest

Upon vesting, shares are purchased on market and allocated to executives

Other remuneration benefits

Argo Employee Share Ownership Plan

All employees other than the Directors are offered up to $1,000 per year in Company shares at market value. The costs of acquiring the shares on market are paid by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or the date the employee ceases employment.

Non-monetary benefits

Prior to 2004, interest free loans were issued to KMP to assist the purchase of shares in the Company. Table H on page 35, sets out the remaining balances of those KMP loans and the benefit of the interest not charged to the executives.

Additional conditions applying to Performance Rights

Service condition discretion

A service condition applies to the STI and LTI performance rights, which means vesting is subject to the individual executives remaining in service. The Board has discretion however to allow the Performance Rights to vest in certain circumstances which could include death, incapacity, redundancy and retirement.

Clawback of executive remuneration

The Board has the discretion to claw back unvested performance rights if, after they have been granted, a material misstatement is discovered in the Company's accounts.

Prohibition of hedging

The Company's Securities Trading Policy prohibits executives from entering into arrangements which limit the economic risk of unvested Performance Rights.

Section 3 Relationship between remuneration and Company performance

The Company's remuneration structure includes STI and LTI incentives to align executive remuneration outcomes with the interests of shareholders. The Company's objective of maximising long-term returns to shareholders through a balance of capital and dividend growth is reflected in the STI and LTI performance indicators.

The table and charts below show relevant aspects of the Company's annual results and how they translate into executive remuneration outcomes when measured over the periods applicable to STI and LTI. The Company's relative performance as compared to its Australian listed investment company peers and the ASX 200 Accumulation index is closely linked to remuneration actually received by executives as the STI and LTI performance indicators comprise these relative measures.

Table A: Linking remuneration outcomes to Company performance

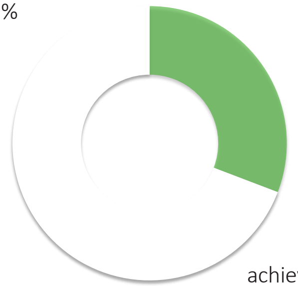
Summary of annual results	**2020**	**2019**	**2018**	**2017**	**2016**
Profit ($m)	199.5	292.7	218.9	211.5	216.3
Earnings per share (cents)	27.8	41.1	31.3	30.7	32.0
Dividends ($m)	215.7	235.5	221.4	214.6	206.9
Dividends per share (cents, fully franked)	30.0	33.0	31.5	31.0	30.5
Management Expense Ratio (% of average assets)	0.16	0.15	0.15	0.16	0.17
Share price at 30 June ($)	7.19	8.12	7.97	7.67	7.37
Share price movement ($)	-0.93	+0.15	+0.30	+0.30	-0.60

One year returns (relate to STI awards)	**2020**	**2019**	**2018**	**2017**	**2016**
Earnings Per Share growth	-32.4%	+31.3%	+2.0%	-4.1%	-6.7%
– relative to peer group	**over**	**over**	**under**	**over**	**over**
Investment (NTA) return after all costs and tax[(a)]	-8.6%	+9.1%	+12.1%	+14.9%	+0.7%
– relative to ASX 200 accum. index[(a)]	**under**	**under**	**under**	**under**	**under**
Dividends per share growth	-9.1%	+4.8%	+1.6%	+1.6%	+3.4%
Average % of maximum STI achieved[(b)]	30.8%	65.7%	45.5%	63.3%	68.4%

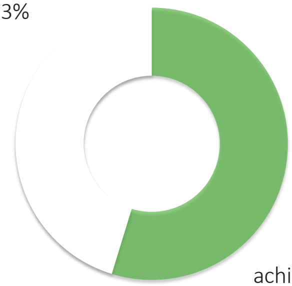
(a) adjusted for franking credits

(b) includes non-financial performance measures

STI outcomes - 2020



STI outcomes - 5 year average



Four year returns * (relate to LTI awards)	**2019**	**2018**	**2017**	**2016**	**2015**
Earnings Per Share growth (pa)	+4.6%	+1.0%	+2.6%	+4.5%	+5.1%
– relative to peer group	over	over	over	over	under
Investment (NTA) return after all costs and tax (pa)[a]	-9.1%	+8.7%	+10.4%	+12.9%	+9.7%
– relative to ASX 200 accum. index[a]	under	under	under	over	over
Dividends per share growth (pa)	+2.0%	+2.1%	+3.1%	+3.8%	+3.4%
% of maximum LTI achieved	50.0%	39.4%	50.0%	42.0%	11.6%

*2020 LTI outcomes have not yet been tested and will be reported in next year's Annual Report.

(a) adjusted for franking credits

LTI outcomes - 2019

LTI outcomes - 5 year average

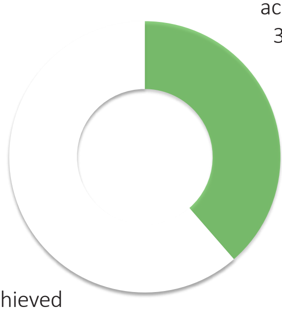


Table B: Actual executive remuneration outcomes (non-statutory disclosure)

		Total fixed remuneration[a] $	Annual STI to 30 June[b] $	Loan repayment[c] $	Prior years rights vested[d] $	Total received $
Managing Director						
J. Beddow	**2020**	**700,000**	**73,500**	**8,503**	**451,192**	**1,233,195**
	2019	685,000	167,825	8,245	373,161	1,234,231
Other Key Management Personnel						
T.C.A. Binks	**2020**	**288,000**	**30,240**	**-**	**117,791**	**436,031**
	2019	280,000	70,070	-	99,537	449,607
A.B. Hill	**2020**	**229,000**	**24,050**	**13,605**	**98,976**	**365,631**
	2019	222,500	55,291	13,192	85,598	376,581
Total	**2020**	**1,217,000**	**127,790**	**22,108**	**667,959**	**2,034,857**
	2019	1,187,500	293,186	21,437	558,296	2,060,419

(a) Base remuneration including superannuation and any salary sacrificing arrangements.

(b) Comprises the cash portion of the STI performance for the 12 months to 30 June and is paid in August each year. The STI deferred component for the year ended 30 June 2020 will be issued on 8 October 2020 as STI performance rights and will vest two years after grant, subject to the executive having continued service with the Company (2019: issued 8 October 2019).

(c) Comprises the amount of dividends received to repay the interest free loan pursuant to the superseded Argo Investments Executive Share Plan.

(d) The value of STI and LTI performance rights exercised during the year is based on the market price of shares of the Company on the date the performance rights were exercised.

This table clarifies payments actually received by the executives for the year under review.

These amounts are different to the statutory remuneration as Accounting Standards require a value to be placed on performance rights at the time of grant which is expensed over the life of the rights, even though the executives may not realise all (or any) actual value from the performance rights if performance and/or service conditions are not met, or are only partly met. Remuneration details prepared in accordance with statutory obligations and Accounting Standards are contained in Section 6 of this Report.

Section 4 Non-executive Directors' remuneration

Non-executive Directors (NEDs) are awarded fixed fees, allowing for objectivity and independence in their assessment of Company and executive performance. However, the Board has a policy that all NEDs should, within three years of their initial appointment, establish and maintain a shareholding in the Company which is at least equivalent in value to one year's directors' fees, to further align their interests with those of other shareholders.

The Board, after taking into account the recommendations of the Remuneration Committee, determines the amount of Board and Committee fees having regard to the level of fees paid to NEDs of companies of comparable size and complexity. The fees are within the aggregate annual limit approved by shareholders at the Annual General Meeting held in October 2015 ($1,100,000).

For the year ended 30 June 2020, the Chairman received $237,300 inclusive of superannuation, Committee and subsidiary company appointments. The base fee for each of the other NEDs was $101,500 with additional fees of $3,500 for Committee membership and subsidiary company board appointments, and $6,700 for Committee Chairs. Statutory superannuation payments are contributed on behalf of NEDs with any superannuation guarantee exemption being paid as Directors' fees. Further details of the Non-executive Directors' remuneration are provided in Section 6, Table C on page 30 of this report.

Due to the current economic circumstances, NED remuneration will remain unchanged for the year ending 30 June 2021.

A performance evaluation process for NEDs is undertaken each year and is described in the Corporate Governance Statement, which is available on the Company's website.

Section 5 Remuneration governance

Remuneration Committee

The Remuneration Committee provides support and advice to the Board on setting appropriate remuneration levels, determining the remuneration structure and assessing performance.

External advice

The Remuneration Committee periodically engages independent external advisers to review and assist with aspects of the remuneration structure.

In 2015, the Financial Institutions Remuneration Group (FIRG) was engaged by the Remuneration Committee to assist it with a comprehensive review of executive remuneration compensation. No changes were recommended to the Board as a result of this review.

The Company's membership of FIRG provides it with access to up to date industry remuneration data on an ongoing basis.

Executive service agreements

Key features of the service agreements for the executives include:

- Employment continues until terminated by either the executive or Argo
- Notice periods are six months for the Managing Director and three months for other executives
- A lump sum in lieu of notice may be paid
- If an executive commits a breach such as serious misconduct, wilful neglect or criminal offence, their services may be terminated immediately, without notice
- If the Company commits any serious or persistent breach, an executive may terminate immediately
- Unless stated otherwise above, no termination payments are provided for under the service agreements
- Compliance with policies of the Company including the Code of Conduct

Section 6 Remuneration disclosure tables

Table C: Non-executive Directors’ remuneration

		Short-term		Post-employment	
		Directors’ fees $	Committee fees $	Superannuation[a] $	Total $
Non-executive Directors					
R.A. Higgins AO	**2020**	**216,712**	**-**	**20,588**	**237,300**
	2019	212,420	-	20,180	232,600
A.B. Brennan	**2020**	**101,535**	**10,200**	**10,615**	**122,350**
	2019	99,498	10,000	10,402	119,900
C.E. Cuffe AO	**2020**	**101,523**	**3,500**	**9,977**	**115,000**
	2019	99,522	3,400	9,778	112,700
R.A. Davis	**2020**	**106,660**	**6,700**	**5,140**[b]	**118,500**
	2019	99,542	6,333	10,058	115,933
E.A. Lewin	**2020**	**101,523**	**3,500**	**9,977**	**115,000**
	2019	99,522	3,400	9,778	112,700
J.C. Morton	**2020**	**106,511**	**3,500**	**4,989**[b]	**115,000**
	2019	99,522	3,400	9,778	112,700
Total	**2020**	**734,464**	**27,400**	**61,286**	**823,150**
	2019	710,026	26,533	69,974	806,533

(a) Superannuation contributions made on behalf of Non-executive Directors to satisfy the Company’s obligations under the Superannuation Guarantee Charge legislation.

(b) Superannuation guarantee exemptions applied with exemption amounts paid as Directors' fees.

Table D: Executive remuneration (statutory disclosures)

		Short-term			Post-employment	Share based[f]		
		Salaries[a] $	STI[b] $	Non-monetary benefits[e] $	Superannuation $	STI[g] $	LTI[h] $	Total $
Managing Director								
J. Beddow	**2020**	**720,388**	**73,500**[c]	**185**	-[c]	**151,041**	**222,890**	**1,168,004**
	2019	725,900	167,825[c]	520	-[c]	126,598	160,497	1,181,340
Other Key Management Personnel								
T.C.A. Binks	**2020**	**278,709**	**30,240**[d]	**-**	**21,003**	**62,611**	**39,645**	**432,208**
	2019	268,286	70,070[d]	-	20,531	51,822	27,319	438,028
A.B. Hill	**2020**	**210,603**	**24,050**[d]	**131**	**25,000**	**50,668**	**32,438**	**342,890**
	2019	206,889	55,291[d]	464	25,000	43,429	23,835	354,908
Total	**2020**	**1,209,700**	**127,790**	**316**	**46,003**	**264,320**	**294,973**	**1,943,102**
	2019	1,201,075	293,186	984	45,531	221,849	211,651	1,974,276

(a) Salaries include the movement in the provision for annual leave and long service leave and any salary sacrifice arrangements.

(b) STI cash payments are paid in August each year.

(c) The STI of $73,500 was paid $48,500 in cash and $25,000 as a superannuation contribution (2019: $167,825 of which $142,825 was paid in cash and $25,000 as a superannuation contribution).

(d) The STI was paid in cash.

(e) Comprises the benefit of interest free loans pursuant to the superseded Argo Investments Executive Share Plan.

(f) The Accounting Standards require that the expense relating to the share based incentive instruments be reflected over the performance period, regardless of whether the executive ever receives any actual value from them. If the performance rights lapse, the expense is reversed and the amount previously recognised for individual executives is also reversed.

(g) Argo Investments Limited Executive STI Performance Rights:

The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance period to the vesting date. The value of STI performance rights for the current reporting period, which are yet to be issued to executives, has been estimated.

(h) Argo Investments Limited Executive LTI Performance Rights:

The fair value of the LTI performance rights granted was calculated by estimating the value of dividends an award recipient would not receive during the performance measurement period and subtracting this amount from the value of the grant date share price, and applying the Monte Carlo simulation.

Argo Employee Share Ownership Plan:

Employees received $1,000 of Company shares at market value pursuant to the Argo Employee Share Ownership Plan.

(i) The Directors' and Officers' liability insurance contract does not specify premiums in respect of individual Directors and Officers and the policy also prohibits disclosure of the premium paid.

Table E: Executive performance percentages

		Actual STI as % of STI opportunity	% of STI opportunity not achieved	Share based remuneration as proportion of remuneration(1)	Total performance related remuneration
J. Beddow	**2020**	**30.0%**	**70.0%**	**32.0%**	**38.3%**
	2019	70.0%	30.0%	24.3%	38.5%
T.C.A. Binks	**2020**	**30.0%**	**70.0%**	**23.7%**	**30.7%**
	2019	71.5%	28.5%	18.1%	34.1%
A.B. Hill	**2020**	**30.0%**	**70.0%**	**24.2%**	**31.3%**
	2019	71.0%	29.0%	19.0%	34.8%

(1) These percentages are based on the Accounting Standard disclosures and reflect the net effect of the various outcomes described in (g) and (h) above.

Table F: Executive Performance Rights[1] - granted

		Number	Grant date	Fair value per right at grant date	Earliest vesting date	Expiry date	Number yet to vest	Accounting value yet to vest Min.[2] $	Accounting value yet to vest Max.[3] $
J. Beddow	STI	13,781	15/10/18	$6.99	15/10/20	29/10/20	13,781	-	8,648
		23,826	8/10/19	$7.33	8/10/21	22/10/21	23,826		68,047
		-	-	-	-	-	-	-	136,180[4]
	LTI	75,960	26/10/16	$5.76	26/10/20	9/11/20	75,960	-	9,872
		74,720	16/10/17	$6.35	16/10/21	30/10/21	74,720	-	38,553
		74,280	15/10/18	$6.26	15/10/22	29/10/22	74,280	-	68,170
		78,260	8/10/19	$6.56	8/10/23	23/10/23	78,260	-	128,149
		340,827					340,827	-	457,619
T.C.A. Binks	STI	5,556	15/10/18	$6.99	15/10/20	29/10/20	5,556	-	3,487
		9,948	8/10/19	$7.33	8/10/21	22/10/21	9,948	-	28,412
		-	-	-	-	-	-	-	56,030[4]
	LTI	12,770	26/10/16	$5.76	26/10/20	9/11/20	12,770	-	1,623
		13,080	16/10/17	$6.35	16/10/21	30/10/21	13,080	-	6,602
		13,490	15/10/18	$6.26	15/10/22	29/10/22	13,490	-	12,112
		14,310	8/10/19	$6.56	8/10/23	23/10/23	14,310	-	22,921
		69,154					69,154	-	131,187
A.B. Hill	STI	4,788	15/10/18	$6.99	15/10/20	29/10/20	4,788	-	3,005
		7,850	8/10/19	$7.33	8/10/21	22/10/21	7,850	-	22,420
		-	-	-	-	-	-	-	44,550[4]
	LTI	10,520	26/10/16	$5.76	26/10/20	9/11/20	10,520	-	1,412
		10,790	16/10/17	$6.35	16/10/21	30/10/21	10,790	-	5,750
		10,720	15/10/18	$6.26	15/10/22	29/10/22	10,720	-	10,158
		11,380	8/10/19	$6.56	8/10/23	23/10/23	11,380	-	19,244
		56,048					56,048	-	106,539
Total		**466,029**					**466,029**	**-**	**695,345**

Refer Table G for footnotes.

Table G: Executive Performance Rights[1] - vested, exercised and lapsed

		Grant date	Number of rights vested during the year	Number of shares purchased on exercise	Value at exercise date[5]	Number of rights lapsed during the year[6]	Value at lapse date[7]
					$		$
J. Beddow	STI	16/10/17	20,827	20,827	175,155	-	-
	LTI	26/10/15	32,475	32,475	276,037	32,475	208,165
			53,302	53,302	451,192	32,475	208,165
T.C.A. Binks	STI	16/10/17	8,422	8,422	70,829	-	-
	LTI	26/10/15	5,525	5,525	46,962	5,525	35,415
			13,947	13,947	117,791	5,525	35,415
A.B. Hill	STI	16/10/17	7,246	7,246	60,939	-	-
	LTI	26/10/15	4,475	4,475	38,037	4,475	28,685
			11,721	11,721	98,976	4,475	28,685
Total			**78,970**	**78,970**	**667,959**	**42,475**	**272,265**

(1) The STI and LTI performance rights granted do not have an exercise price and no amount is payable by the recipient.

(2) The minimum value of STI and LTI performance rights yet to vest is $nil as the performance and service conditions may not be met and consequently the STI and LTI performance rights may not vest.

(3) The maximum value yet to vest of STI performance rights has been determined as the amount of the fair value of the STI performance rights from the commencement of the performance period to the vesting date that is yet to be expensed.

The maximum value of LTI performance rights yet to vest has been determined as the amount of the grant date fair value of the LTI performance rights that is yet to be expensed.

Ultimately, the value received from STI and LTI performance rights will be determined by the quantity of rights that vest and the market value.

(4) The maximum value yet to vest of STI performance rights which are expected to be granted on 8 October 2020 has been determined as the estimated fair value of the STI performance rights yet to be expensed.

(5) The value of STI and LTI performance rights exercised during the year is calculated as the market price of shares of the Company on the date the performance rights were exercised.

(6) The 2015 LTI performance rights lapsed on 9 November 2019 because the performance condition was not fully satisfied.

(7) The value of LTI performance rights that lapsed during the year represents the benefit forgone, and is calculated at the date the rights lapsed assuming the performance condition had been satisfied. Rights granted 26 October 2015 have a fair value of $6.41.

Table H: Executive loans

	Opening balance $	Closing balance $	Interest not charged $	Highest balance in period $
J. Beddow	31,209	22,706	185	31,209
A.B. Hill	25,295	11,690	131	25,295
Total	**56,504**	**34,396**	**316**	**56,504**

Prior to 2004, interest free loans were issued to key management personnel to assist the purchase of shares pursuant to the Argo Investments Executive Share Plan. The dividends paid on the shares, less an amount equal to the estimated tax payable by the executives on the dividends, are utilised to repay the loan. The shares cannot be dealt with by the executive until the loan has been repaid in full.

Table I: Key Management Personnel equity holdings

The number of ordinary shares and performance rights in the Company held or controlled by key management personnel or their related parties during the financial year:

(a) **Shareholdings**

	Opening balance	Changes during the year	Closing balance
R.A. Higgins AO	97,196	3,853	101,049
J. Beddow	286,346	52,243	338,589
A.B. Brennan	15,454	854	16,308
C.E. Cuffe AO	14,060	940	15,000
R.A. Davis	31,622	-	31,622
E.A. Lewin	12,765	505	13,270
J.C. Morton	25,856	1,025	26,881
T.C.A. Binks	31,295	(2,229)	29,066
A.B. Hill	108,803	12,479	121,282

(b) **STI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	34,608	23,826	(20,827)	-	37,607
T.C.A. Binks	13,978	9,948	(8,422)	-	15,504
A.B. Hill	12,034	7,850	(7,246)	-	12,638

(c) **LTI performance rights holdings**

	Opening balance	Granted as remuneration	Vested and exercised	Lapsed	Closing balance
J. Beddow	289,910	78,260	(32,475)	(32,475)	303,220
T.C.A. Binks	50,390	14,310	(5,525)	(5,525)	53,650
A.B. Hill	40,980	11,380	(4,475)	(4,475)	43,410

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement for the year ended 30 June 2020 can be accessed on the Company's website at www.argoinvestments.com.au/shareholder-centre/corporate-governance.

Relevant governance charters, policies and codes are also available in this section of the website.

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

On behalf of the Board

R.A. Higgins AO
Chairman
17 August 2020

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Argo Investments Limited 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.

This declaration is in respect of Argo Investments Limited and the entities it controlled during the year.

M.T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
17 August 2020

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Consolidated Statement of Profit or Loss

for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Dividends and distributions	2	210,039	305,080
Interest		3,731	5,102
Other income		3,115	2,301
Net gains on trading investments		8,268	2,692
Income from operating activities		225,153	315,175
Administration expenses	3	(9,155)	(8,534)
Profit before income tax expense		215,998	306,641
Income tax expense thereon	4	(16,542)	(13,968)
Profit for the year		199,456	292,673
		cents	cents
Basic and diluted earnings per share	5	27.8	41.1

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	2020 $'000	2019 $'000
Profit for the year	199,456	292,673
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	(792,097)	139,172
Provision for deferred tax benefit/(expense) on revaluation of long-term investments	235,268	(53,297)
Other comprehensive income for the year	(556,829)	85,875
Total comprehensive income for the year	(357,373)	378,548

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	6	168,728	219,006
Receivables	7	17,063	86,323
Investments	8	2,500	10,595
Other financial cash assets	9	10,000	-
Current tax assets		14,534	-
Total Current Assets		212,825	315,924
Non-Current Assets			
Receivables	7	-	56
Investments	8	5,068,924	5,747,794
Property, plant and equipment	10	1,789	537
Total Non-Current Assets		5,070,713	5,748,387
Total Assets		5,283,538	6,064,311
Current Liabilities			
Payables	11	1,149	1,433
Derivative financial instruments	12	10,645	8,165
Current tax liabilities		-	16,107
Provisions	13	773	611
Total Current Liabilities		12,567	26,316
Non-Current Liabilities			
Payables	11	1,055	-
Deferred tax liabilities	14	547,538	766,481
Provisions	13	139	195
Total Non-Current Liabilities		548,732	766,676
Total Liabilities		561,299	792,992
Net Assets		4,722,239	5,271,319
Shareholders' Equity			
Contributed equity	15	2,883,783	2,838,980
Reserves	16	1,342,956	1,928,508
Retained profits	17	495,500	503,831
Total Shareholders' Equity		4,722,239	5,271,319

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2019	2,838,980	1,928,508	503,831	5,271,319
Profit for the year	-	-	199,456	199,456
Other comprehensive income	-	(556,829)	-	(556,829)
Total comprehensive income for the year	-	(556,829)	199,456	(357,373)
Transactions with shareholders:				
Dividend Reinvestment Plan	44,902	-	-	44,902
Cost of share issues net of tax	(99)	-	-	(99)
Executive performance rights reserve	-	(126)	-	(126)
Dividends paid	-	(28,597)	(207,787)	(236,384)
Total transactions with shareholders	44,803	(28,723)	(207,787)	(191,707)
Balance as at 30 June 2020	2,883,783	1,342,956	495,500	4,722,239

for the year ended 30 June 2019

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2018	2,795,816	1,871,129	410,203	5,077,148
Profit for the year	-	-	292,673	292,673
Other comprehensive income	-	85,875	-	85,875
Total comprehensive income for the year	-	85,875	292,673	378,548
Transactions with shareholders:				
Dividend Reinvestment Plan	43,254	-	-	43,254
Cost of share issues net of tax	(90)	-	-	(90)
Executive performance rights reserve	-	(123)	-	(123)
Dividends paid	-	(28,373)	(199,045)	(227,418)
Total transactions with shareholders	43,164	(28,496)	(199,045)	(184,377)
Balance as at 30 June 2019	2,838,980	1,928,508	503,831	5,271,319

(To be read in conjunction with the accompanying notes)

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Dividends and distributions received		226,808	270,500
Interest received		3,552	5,400
Other receipts		3,151	2,251
Proceeds from trading investments		27,952	14,365
Payments for trading investments		(9,110)	(10,968)
Other payments		(8,887)	(8,183)
Income tax paid		(30,815)	(36,804)
Net operating cash inflows	27	212,651	236,561
Cash flows from investing activities			
Proceeds from sale of long-term investments		160,787	254,780
Payments for long-term investments		(221,739)	(316,139)
Proceeds from other financial cash assets		75,000	120,000
Payments for other financial cash assets		(85,000)	-
Executive share scheme repayments		22	22
Payments for fixed assets		(67)	(444)
Net investing cash (outflows)/inflows		(70,997)	58,219
Cash flows from financing activities			
Payments for lease liabilities		(309)	-
Cost of share issues		(141)	(129)
Dividends paid – net of Dividend Reinvestment Plan		(191,482)	(184,164)
Net financing cash outflows		(191,932)	(184,293)
Net (decrease)/increase in cash held		(50,278)	110,487
Cash at the beginning of the year		219,006	108,519
Cash at the end of the year	6	168,728	219,006

(To be read in conjunction with the accompanying notes)

Contents of the Notes to the Financial Statements

for the year ended 30 June 2020

Notes to the Financial Statements

for the year ended 30 June 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the financial statements of the consolidated entity, consisting of Argo Investments Limited and its controlled entities (Argo or Company) which are presented in Australian currency. The Company is incorporated and domiciled in Australia. Argo is a company limited by shares.

The financial statements were authorised for issue by the Directors on 17 August 2020. The Directors have the power to amend and reissue the financial statements.

The significant accounting policies which have been adopted in the preparation of these financial statements are set out below. The policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.* Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The Company is a 'for profit' entity for the purpose of preparing the financial statements.

These financial statements have been prepared using the conventional historical cost basis except for the fair value accounting of investments detailed in Note 1(d)(ii) and exchange traded options in Note 1(e).

The accounting policies adopted are consistent with those of the previous financial year.

(b) Principles of Consolidation

The Company meets the definition of an investment entity (see Note 1(c)).

The Company's wholly owned subsidiary, Argo Service Company Pty Ltd (ASCO), provides services to the Company. The consolidated financial statements incorporate the assets and liabilities of ASCO as at 30 June 2020 and its results for the year then ended. Intercompany transactions and balances between the Company and ASCO are eliminated on consolidation.

The Company has determined that for any entities that it controls or has significant influence over, that do not provide services to the Company, consolidation is not required provided the Company measures its investments in these entities at fair value in its financial statements.

(c) Investment Entity

The Company has determined that it is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

(i) The Company has obtained funds from shareholders for the purpose of providing them with investment management services;

(ii) The Company's business purpose, which it communicated directly to shareholders, is investing solely for returns from capital appreciation and investment income; and

(iii) The performance of investments made by the Company are measured and evaluated on a fair value basis.

The Company also meets all of the typical characteristics of an investment entity.

(d) **Investments**

(i) **Classification**

Purchases and sales of investments are recognised on trade-date, being the date the Company commits to purchase or sell the asset.

Current Assets

Investments classified as Current Assets comprise holdings of trading securities and are categorised as financial assets measured at fair value through the Consolidated Statement of Profit or Loss. Investments are initially recognised at fair value and transaction costs are expensed. An investment is classified in this category if acquired principally for the purpose of selling in the short term.

Non-Current Assets

Investments classified as Non-Current Assets comprise holdings of long-term securities and are revalued at fair value through other comprehensive income. Investments are initially recognised at fair value.

(ii) **Valuation**

Trading securities and long-term securities are continuously carried at fair value using price quotations in an active stock market.

The fair value of securities which are not listed on a securities exchange are valued using appropriate valuation techniques as reasonably determined by the Directors.

(iii) **Gains and Losses**

Investments are considered to have been sold when contractual rights to the investment expire or contractual rights to receive cash flows have been transferred and substantially all the risk and rewards of ownership have not been retained.

Current Assets

Realised gains and losses from the sale of trading securities are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of the trading securities are included in the Consolidated Statement of Profit or Loss in the period in which they arise.

Non-Current Assets

Realised gains and losses on the sale of long-term investments, net of tax, are transferred from the investment revaluation reserve and recorded in the capital profits reserve.

Unrealised gains and losses arising from changes in the fair value of long-term securities are recognised in other comprehensive income and reflected in the investment revaluation reserve.

(e) **Derivative Financial Instruments**

The Company sells Australian Securities Exchange traded options to earn income. Where the Company sells a call option, it is obligated to deliver securities at an agreed price if the holder exercises the option. Where the Company sells a put option, it is obligated to purchase securities at an agreed price if the holder exercises the option.

The premium received for selling options is not initially brought to account as income but is recognised in the Consolidated Statement of Financial Position as a liability. When the option expires, is exercised or is repurchased, the premium received is brought to account and is included in net gains on trading investments in the Consolidated Statement of Profit or Loss.

Any open option positions at balance date are carried at their fair value and unrealised gains and losses are included in the Consolidated Statement of Profit or Loss.

(f) **Income**

Income is recognised when the right to receive payment is established.

(g) **Property, Plant and Equipment**

Items of plant and equipment are depreciated over their estimated useful lives to the Company using the straight line method of depreciation at rates ranging from 7.5% to 33.3%.

Items of property right of use assets are depreciated on a straight line method over the period of the lease.

(h) **Income Tax**

The income tax expense is the tax payable on current year taxable income based on the company tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances attributable to revaluation amounts recognised in other comprehensive income are also recognised in the investment revaluation reserve. The revaluation of long-term investments is net of tax on unrealised capital gains by recognising a deferred tax liability. Where the Company disposes of long-term securities in the investment portfolio, tax is calculated on the net gains made according to the particular parcels allocated to the sale for tax purposes. The tax recognised in the investment revaluation reserve is then transferred to the capital profits reserve. The associated deferred tax liability is similarly adjusted and transferred to tax payable.

Argo Investments Limited (the parent) and its wholly owned subsidiary have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax amounts. The current tax liability of both entities is subsequently assumed by the parent entity.

The entities have also entered into a tax funding agreement whereby the subsidiary compensates the parent entity for any current tax payable or receivable and deferred tax assets relating to unused tax losses or unused tax credits.

(i) **Employee Entitlements**

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and long service leave (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(j) **Argo Investments Limited Executive Performance Rights Plan**

The share based short-term incentive (STI) performance rights are measured at fair value. The amount of these rights is expensed on a straight line basis over the period between the performance commencement date and the expected date that the rights will vest.

The share based long-term incentive (LTI) performance rights are measured at fair value, and recorded as an expense on a straight line basis over the period between grant date and the expected date that the rights will vest.

(k) **Argo Investments Executive Share Plan Loans**

The interest free loans were issued to executives pursuant to the superseded Argo Investments Executive Share Plan and are recognised initially at fair value and subsequently measured at amortised cost.

(l) **Receivables**

Receivables include dividends, distributions and securities sold where settlement has not occurred at the end of the reporting period. Amounts are generally received within 30 days of recognition.

(m) **Payables**

Payables include liabilities for goods and services provided to the Company and for securities purchased where settlement has not occurred at the end of the reporting period. Amounts are usually paid within 30 days of recognition.

(n) **Leases**

From 1 July 2019 the Company recognised operating leases as property right of use assets with a corresponding liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The property right of use assets are depreciated over the life of a lease on a straight-line basis. Lease liabilities are accounted for over the period of the lease with lease payments allocated between principal and finance cost.

(o) **Cash and Cash Equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents include bank deposits held at call, other short-term bank fixed term deposits with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(p) **Other Financial Cash Assets**

Other financial cash assets are bank fixed term deposits with maturities from three to six months from date of acquisition.

(q) **Earnings per Share**

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period.

If applicable, diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) **Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not 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 Consolidated Statement of Financial Position. Cash flows relating to GST are included in the Consolidated Statement of Cash Flows on a gross basis.

(s) **Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity, net of tax.

(t) **Provision for Dividend**

A provision for dividend is only made for the amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(u) **Rounding of Amounts**

Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies to the Company and accordingly amounts have been rounded to the nearest one thousand dollars in accordance with that Instrument, unless otherwise stated.

(v) **New Accounting Standards**

AASB 16 *Leases* has been applied from 1 July 2019. This standard specifies how to recognise, measure and disclose leases in the financial statements. The standard requires lessees to recognise right-of-use assets and lease liabilities for most leases which the Company has disclosed in Note 10 and 11. The application of the lease standard has not had a material impact on the Company's financial statements and there was no impact on opening Retained Profits. The nature of the leases are disclosed in Note 23.

The Company adopts Accounting Standards and interpretations at the date at which their application becomes mandatory.

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

(w) **Critical Accounting Estimates and Judgements**

There are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

2. DIVIDENDS AND DISTRIBUTIONS

	2020 $'000	2019 $'000
Received/receivable from:		
Long-term investments held at the end of the year	207,847	298,718
Long-term investments sold during the year	1,833	6,140
Trading investments sold during the year	359	222
	210,039	**305,080**

3. ADMINISTRATION EXPENSES

	2020 $'000	2019 $'000
Employment benefits	5,890	5,297
Depreciation	414	168
Other	2,851	3,069
	9,155	**8,534**

4. INCOME TAX EXPENSE

	2020 $'000	2019 $'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	215,998	306,641
Prima facie tax expense calculated at 30% (2019: 30%)	64,799	91,992
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(50,449)	(68,579)
Non-taxable distributions	-	(10,835)
Other	2,373	1,496
Over provision in previous year	(181)	(106)
Income tax expense	**16,542**	**13,968**
(b) Income tax expense composition:		
Charge for tax payable relating to current year	18,316	13,980
(Decrease)/increase in deferred tax liabilities	(1,593)	94
Over provision in previous year	(181)	(106)
	16,542	**13,968**
(c) Amounts recognised directly in other comprehensive income: (Decrease)/increase in deferred tax liabilities	**(235,268)**	**53,297**

5. EARNINGS PER SHARE

	2020 number '000	2019 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	717,978	712,377
	$'000	$'000
Profit for the year	199,456	292,673
	cents	cents
Basic and diluted earnings per share	**27.8**	**41.1**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 0.25% and 0.50% at 30 June 2020; 2019: between 1.25% and 1.50%) and fixed term deposits with banks (fixed interest rates to maturity between 0.74% and 0.89% at 30 June 2020; 2019: 1.78% and 2.40%), maturing within three months from date of deposit.

	2020 $'000	2019 $'000
Bank deposits	**168,728**	**219,006**

7. RECEIVABLES

	2020 $'000	2019 $'000
Current		
Dividends and distributions receivable	14,414	33,849
Interest receivable	42	415
Outstanding settlements	2,148	51,207
Other	459	852
	17,063	**86,323**

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within two business days of the transaction date. None of the receivables are past due or impaired.

	2020 $'000	2019 $'000
Non-Current		
Executive share plan loans	**-**	**56**

The Executive share plan loans are repaid in accordance with the terms of the superseded Argo Investments Executive Share Plan.

8. INVESTMENTS

	2020 $'000	2019 $'000
Current		
Listed securities at fair value[(1)]	**2,500**	**10,595**
Non-Current		
Listed securities at fair value[(1)]	5,066,712	5,743,050
Unlisted securities at fair value[(2)]	2,212	4,744
	5,068,924	**5,747,794**

The fair value of investments is based on the fair value measurement hierarchy disclosed in Note 29.

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

(2) The fair value of unlisted securities is not based on observable market data in accordance with Level 3 of the fair value measurement hierarchy. The Directors have made valuation judgements to determine the fair value of these securities based on inputs which include the cost and the net tangible asset values provided by the responsible entities of the securities.

Reconciliation of changes in unlisted securities valued in accordance with Level 3 of the fair value measurement hierarchy:

	2020 $'000	2019 $'000
Carrying amount at beginning of year	4,744	1,394
Additions	1,201	3,350
Disposal	(3,514)	-
Fair value loss recognised in other comprehensive income	(219)	-
Carrying amount at end of year	**2,212**	**4,744**

The fair value of each non-current security (long-term investment) is disclosed in Note 30.

There were 425 investment transactions during the financial year. The total brokerage paid on these transactions was $1.0 million.

9. OTHER FINANCIAL CASH ASSETS

	2020 $'000	2019 $'000
Bank term deposits	**10,000**	**-**

Other financial cash assets are fixed term deposits with banks (fixed interest rate to maturity of 0.85% at 30 June 2020; 2019: nil) maturing from three to six months from date of deposit.

10. PROPERTY, PLANT AND EQUIPMENT

	2020 $'000	2019 $'000
Plant and equipment at cost	1,535	1,558
Accumulated depreciation	(1,035)	(1,021)
	500	537
Property right of use assets	1,599	-
Accumulated depreciation	(310)	-
	1,289	-
	1,789	**537**
Movements		
Carrying amount at beginning of year	537	261
Additions:		
- plant and equipment at cost	67	444
- property right of use assets	1,599	-
Depreciation	(414)	(168)
Carrying amount at end of year	**1,789**	**537**

From 1 July 2019, the Company's operating leases are recognised as a property right of use assets and a corresponding liability.

Assets and liabilities arising from a lease are initially measured on a present value basis using a incremental borrowing rate of 3%. The right of use assets are depreciated over the life of the lease on a straight line basis.

Lease liabilities are disclosed in Note 11.

11. PAYABLES

	2020 $'000	2019 $'000
Current		
Lease liabilities	283	-
Other	866	1,433
	1,149	**1,433**
Non- Current		
Lease liabilities	**1,055**	**-**

Payables are non-interest bearing and unsecured. Lease liabilities have been determined based on the present value of the lease payments and are accounted for over the period of the lease.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 $'000	2019 $'000
Exchange traded options at fair value	**10,645**	**8,165**

The fair value of exchange traded options is established from the quoted prices (unadjusted) in the active market of the ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

13. PROVISIONS

	2020 $'000	2019 $'000
Current		
Provision for employee entitlements	**773**	**611**
Non-Current		
Provision for employee entitlements	**139**	**195**

14. DEFERRED TAX LIABILITIES

	2020 $'000	2019 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	550,871	768,009
Income receivable which is not assessable for tax until receipt	1,175	1,823
Deferred tax asset on unrealised gains on trading investments	(146)	(19)
	551,900	769,813
Offset by deferred tax assets:		
Capital losses not utilised	(269)	-
Provisions and payables	(3,944)	(3,127)
Deferred tax on cost of share issues	(149)	(205)
	(4,362)	(3,332)
Net deferred tax liabilities	**547,538**	**766,481**
Movements		
Balance at beginning of year	766,481	734,653
(Credited)/debited to profit or loss	(1,593)	94
Charged to other comprehensive income	(235,268)	53,297
Changes to the tax base of investments	17,918	(21,563)
Balance at end of year	**547,538**	**766,481**

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $2.2 million (2019: $0.8 million).

15. CONTRIBUTED EQUITY

Ordinary shares rank pari passu, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of the shares held. The Company does not have a limited amount of authorised capital.

	2020 No. of shares	2019 No. of shares	2020 $'000	2019 $'000
Issued and fully paid ordinary shares:				
Opening balance	714,930,941	709,317,039	2,838,980	2,795,816
Dividend reinvestment plan[(a)]	5,340,766	5,613,902	44,902	43,254
Share purchase plan	-	-	-	-
Cost of share issues net of tax	-	-	(99)	(90)
Closing balance	**720,271,707**	**714,930,941**	**2,883,783**	**2,838,980**

(a) On 13 September 2019, 2,861,032 shares were allotted at $8.05 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2019.

On 6 March 2020, 2,479,734 shares were allotted at $8.82 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2020.

The Company has an on-market share buy-back arrangement in place but it was not activated during the year.

16. RESERVES

	2020 $'000	2019 $'000
Executive Performance Rights Reserve	522	648
Investment Revaluation Reserve	1,103,837	1,653,417
Capital Profits Reserve	238,597	274,443
	1,342,956	**1,928,508**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	648	771
Accrued entitlement for unvested rights	1,039	797
Executive performance shares purchased	(1,165)	(920)
Balance at end of year	522	648
Investment Revaluation Reserve		
Balance at beginning of year	1,653,417	1,619,164
Revaluation of long-term investments	(792,097)	139,172
Provision for deferred tax expense on revaluation of long-term investments	235,268	(53,297)
Realised losses/(gains) on sale of long-term investments transferred to capital profits reserve	10,341	(72,563)
Income tax (benefit)/expense thereon	(3,092)	20,941
Balance at end of year	1,103,837	1,653,417
Capital Profits Reserve		
Balance at beginning of year	274,443	251,194
Dividend paid	(28,597)	(28,373)
Transfer from investment revaluation reserve	(7,249)	51,622
Balance at end of year	238,597	274,443
Total Reserves	**1,342,956**	**1,928,508**

Long-term investments were sold in the normal course of the Company's operations as a listed investment company or as a result of takeovers. The fair value of the investments sold during this period was $127.4 million (2019: $255.5 million). The cumulative loss after tax on these disposals was $7.2 million (2019: profit $51.6 million), which has been transferred from the investment revaluation reserve to the capital profits reserve.

Nature and Purpose of Reserves

Executive Performance Rights Reserve

This reserve contains the fair value of the short-term incentive (STI) and long-term incentive (LTI) performance rights pursuant to the Argo Investments Limited Executive Performance Rights Plan. When rights are exercised, shares are purchased on market and issued to the executive.

STI performance rights

The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance periods to the vesting dates. The value of the STI performance rights for the current reporting period, which are yet to be issued to participants, has been estimated.

LTI performance rights

The values of the LTI performance rights are calculated at grant dates and allocated to each reporting period from the grant dates to the vesting dates.

Investment Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

Capital Profits Reserve

Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are recorded in this reserve.

17. RETAINED PROFITS

	2020 $'000	**2019** $'000
Balance at beginning of year	503,831	410,203
Dividends paid	(207,787)	(199,045)
Profit for the year	199,456	292,673
Balance at end of year	**495,500**	**503,831**

18. CAPITAL MANAGEMENT

The Company's objective in managing its capital is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved by the process of providing shareholders with a steady stream of fully franked dividends and enhancement of capital invested, with the goal of paying an increasing level of dividends and providing attractive total returns over the long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, it may be necessary to vary the amount of dividends paid, issue new shares from time to time or buy back its own shares.

The Company's capital consists of its shareholders' equity and the changes to this capital are shown in the Consolidated Statement of Changes in Equity.

19. DIVIDENDS

	2020 $'000	**2019** $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June 2019 of 17.0 cents fully franked at 30% tax rate paid 13 September 2019 (2018: 16.0 cents fully franked at 30% tax rate)	121,538	113,491
Interim dividend for the year ended 30 June 2020 of 16.0 cents fully franked at 30% tax rate paid 8 March 2020 (2019: 16.0 cents fully franked at 30% tax rate)	114,846	113,927
Total dividends paid	**236,384**	**227,418**

The final dividend paid contained a listed investment company (LIC) capital gain component of 4.0 cents per share (2019: 4.0 cents). The interim dividend paid did not contain a LIC capital gain component (2019: nil).

	2020 $'000	**2019** $'000
(b) **Dividend declared after balance date**		
Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:		
Final dividend for the year ended 30 June 2020 of 14.0 cents fully franked at 30% tax rate payable 18 September 2020 (2019: 17.0 cents fully franked at 30% tax rate)	**100,838**	**121,538**

The final dividend declared will not contain a LIC capital gain component (2019: 4.0 cents).

20. FRANKING ACCOUNT

	2020 $'000	2019 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	114,719	149,254
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(43,216)	(52,088)
	71,503	**97,166**
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	**166,840**	**226,721**

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the investment portfolio and the Company paying tax.

21. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2020 $'000	2019 $'000
Balance of the LIC capital gain account	5,640	32,734
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	-	(28,597)
	5,640	**4,137**
This equates to an attributable amount of	**8,057**	**5,910**

LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions from LIC securities held in the investment portfolio. No LIC capital gain will be paid out as part of the final dividend on 18 September, 2020.

22. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the investment industry predominately within Australia.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Directors when making strategic, investment or resource allocation decisions.

The Company is domiciled in Australia and derives its income from the investment portfolio through the receipt of dividends, distributions, interest and other income. The portfolio is highly diversified, with no single investment accounting for more than 10% of income.

There has been no change to the operating segments during the year.

23. COMMITMENTS

The Company has two property leases which expire on 31 January 2024 and 31 December 2025. The leases provide the Company with a right of renewal. Lease rentals are subject to review during the terms of the leases.

From 1 July 2019, the Company has recognised the operating leases as property right of use assets, refer Note 10 and 11.

	2020 $'000	2019 $'000
Operating leases		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	-	309
Later than one year but not later than five years	-	1,278
Later than five years	-	173
	-	**1,760**

24. RELATED PARTIES

	2020 $	2019 $
(a) **Key Management Personnel Compensation**		
Short-term	2,099,670	2,231,804
Post-employment (superannuation)	107,289	115,505
Share based	559,293	433,500
	2,766,252	**2,780,809**

Detailed remuneration disclosures are provided in the Remuneration Report.

	2020 $	2019 $
(b) **Key Management Personnel Loans**		
Balance at beginning of year	56,503	77,941
Loan repayments	(22,108)	(21,438)
Balance at end of year	**34,395**	**56,503**
Notional interest not charged	316	983

The loan repayments are made in accordance with the terms of the Argo Investments Executive Share Plan.

(c) **Argo Global Listed Infrastructure Limited**

Argo Global Listed Infrastructure Limited (ALI) is an Australian investment company which invests in international securities in the infrastructure sector (ASX: ALI).

At balance date, the Company's ALI shares had a fair value of $27.0 million (2019: $29.0 million) as disclosed in Note 30.

The Company receives a fee for managing the operations of ALI, via its wholly owned subsidiary, Argo Service Company Pty Ltd. Fees of $4.2 million (2019: $3.9 million) were received or receivable in the financial year ended 30 June 2020 with Cohen & Steers, the Portfolio Manager, receiving 50% of this fee to manage and invest the portfolio. Management fees of $0.3 million (2019: $0.3 million) were receivable at balance date.

There are five Directors of ALI, of which three are also Directors of the Company.

25. PARENT ENTITY DISCLOSURES

In accordance with the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the *Corporations Act 2001* the following summarised parent entity information is set out below.

As at, and throughout, the financial year ended 30 June 2020 the parent entity is Argo Investments Limited.

	2020 $'000	**2019** $'000
Profit of the parent entity		
Profit for the year	199,462	292,733
Total comprehensive income for the year	(357,367)	378,608
Financial position of the parent entity as at 30 June		
Current assets	211,158	313,472
Total assets	5,283,087	6,063,201
Current liabilities	11,530	24,746
Total liabilities	560,912	791,951
Net assets	4,722,175	5,271,250
Total equity of the parent entity comprising of:		
Contributed equity	2,883,783	2,838,980
Reserves	1,342,956	1,928,508
Retained profits	495,436	503,762
Total equity attributable to shareholders of the parent entity	4,722,175	5,271,250

Argo Investments Limited has an agreement in place with Argo Service Company Pty Ltd to provide up to $250,000 (2019: $250,000) financing to cover any negative cash flow requirements arising from its operations. The facility was not utilised during the financial year to 30 June 2020.

26. SHARE BASED PAYMENTS

(a) Argo Employee Share Ownership Plan

The Directors may at such time or times as determined, issue invitations to eligible employees to apply for shares under the Argo Employee Share Ownership Plan (ESOP) as part of the employees' remuneration. Each eligible employee is offered up to $1,000 per year in shares at market value. The costs of acquiring the shares on market are paid for by the Company. Any shares acquired cannot be disposed of or transferred until the earlier of three years from the acquisition date or on the date the employee ceases employment. The ESOP was approved by shareholders at the 1997 Annual General Meeting.

During the year, 1,560 (2019: 1,560) shares were acquired by the Company on behalf of eligible employees under the ESOP at a cost of $12,984 (2019: $13,015) and had a market value of $11,216 (2019: $12,667) at $7.19 per share (2019: $8.12 per share) at balance date.

(b) Argo Investments Limited Executive Performance Rights Plan

The Argo Investments Limited Executive Performance Rights Plan (Plan) is designed to provide participants with performance-linked incentives as shareholder value is created. Under the Plan, performance rights are granted to executives to satisfy their STI and LTI entitlements. These performance rights only vest if certain performance and service conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

A detailed discussion of the performance and service conditions for performance rights granted or to be granted is set out in the Remuneration Report.

The STI and LTI performance rights are granted under the Plan for no consideration, carry no dividend or voting rights and do not have an exercise price.

When exercisable, each performance right is convertible into an ordinary Company share, subject to certain adjustments allowable under the Plan.

Set out below are summaries of rights granted under the Plan:

STI Performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
16/10/17	16/10/19	30/10/19	71,516	-	(71,516)	-	-
15/10/18	15/10/20	29/10/20	53,938	-	-	-	53,938
8/10/19	8/10/21	22/10/21	-	87,888[(1)]	-	-	87,888
			125,454	**87,888**	**(71,516)**	**-**	**141,826**

(1) The fair value at grant date of the STI performance rights issued during the year was $7.33 (2019: $6.99) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The following inputs were used to calculate the fair value of the STI performance rights issued:

(a) Share price at valuation date 8 October 2019: $8.18 (15 October 2018: $7.80); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2019: 5.5%).

(2) STI performance rights expense of $563,734 (2019: $469,495) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(3) The weighted average remaining life of the STI performance rights outstanding at the end of the year was 0.9 year (2019: 0.8 year).

During the year, 71,516 (2019: 72,275) shares were acquired by the Company on behalf of eligible employees for exercised STI performance rights at a cost of $601,676 (2019: $559,461) and had a market value of $514,200 (2019: $586,873) at $7.19 per share (2019: $8.12 per share) at balance date.

LTI performance rights

Grant date	Earliest vesting date	Expiry date	Opening balance	Granted	Vested and exercised	Lapsed	Closing balance (unvested)
26/11/15	26/11/19	9/12/19	132,320	-	(66,160)	(66,160)[(2)]	-
26/10/16	26/10/20	9/11/20	157,420	-	-	-	157,420
16/10/17	16/10/21	30/11/21	167,050	-	-	-	167,050
15/10/18	15/10/22	29/10/22	171,030	-	-	-	171,030
8/10/19	8/10/23	23/10/23	-	181,060[(1)]	-	-	181,060
			627,820	**181,060**	**(66,160)**	**(66,160)**	**676,560**

(1) The fair value at grant date of the LTI performance rights issued during the year was $6.56 (2019: $6.26) and was independently calculated by estimating the value of dividends that would not have been received during the vesting period and subtracting this amount from the value of the grant date share price. The Monte Carlo simulation has been used to determine the probabilities of meeting the performance conditions and the expected level of vesting under each performance condition. The following inputs were used to calculate the fair value of the LTI performance rights issued:

(a) Share price at valuation date 8 October 2019: $8.18 (15 October 2018: $7.80); and

(b) Dividend yield grossed up for franking credits based on historic and future yield estimates: 5.5% (2019: 5.5%).

(2) 66,160 LTI performance rights lapsed because the performance condition was not fully satisfied.

(3) LTI performance rights expense totalling $475,083 (2019: $327,949) was recognised as an administration expense in the Consolidated Statement of Profit or Loss.

(4) The weighted average remaining life of the LTI performance rights outstanding at the end of the year was 1.9 years (2019: 1.9 years).

During the year, 66,160 (2019: 46,966) shares were acquired by the Company on behalf of eligible employees for exercised LTI performance rights at a cost of $563,090 (2019: $360,532) and had a market value of $475,690 (2019: $381,364) at $7.19 per share (2019: $8.12 per share) at balance date.

27. CASH FLOW INFORMATION

	2020 $'000	2019 $'000
(a) Reconciliation of net cash provided by operating activities to profit for the year:		
Profit for the year	199,456	292,673
Dividends received as securities in dividend reinvestment plan	(2,666)	(7,356)
Demerger dividends and distributions	-	(36,117)
Depreciation	414	168
Charges to provisions	204	176
Other movements	(626)	(123)
Decrease in provision for income tax	(30,910)	(1,414)
Transfer from provision for deferred income tax	17,355	(21,234)
Increase in deferred tax assets	(819)	(290)
Changes in operating assets and liabilities:		
Decrease in current investments	8,095	134
Decrease in other debtors	19,836	9,394
Increase in other creditors	2,312	550
Net cash provided by operating activities	**212,651**	**236,561**

(b) Non-cash financing activities

Dividends paid totalling $44.9 million were reinvested in shares under the Company's Dividend Reinvestment Plan (2019: $43.3 million).

28. AUDITOR'S REMUNERATION

	2020 $	2019 $
During the year the following remuneration amounts were paid or payable for services provided by the Auditor:		
(a) Audit services		
Audit and review of financial reports	144,715	144,715
(b) Audit related services		
AFSL compliance audit and review	7,018	7,018
(c) Non-audit services		
Taxation and professional services	11,543	13,563
Total remuneration	**163,276**	**165,296**

29. FINANCIAL RISK MANAGEMENT

The risks associated with the holding of financial instruments such as investments, cash and cash equivalents, other financial cash assets, receivables and payables include credit risk, liquidity risk and market risk.

Credit Risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

In relation to cash and cash equivalents disclosed in Note 6, the maximum exposure to credit risk is the carrying amount of bank deposits and any interest accrued.

The Company's cash investments are managed internally under Board approved guidelines. Funds are invested for the short to medium term with the major Australian banks which have a Standard & Poor's short-term rating of A2 and above. The maturities of bank term deposits in cash and cash equivalents are within three months while bank term deposits in other financial cash assets mature from three to six months.

The credit risk exposure for the Company's receivables as disclosed in Note 7 is the carrying amount.

Credit risk exposure also arises in relation to option positions held by the Company. The extent of this exposure is reflected in the carrying value and is disclosed in Note 12.

None of the assets exposed to credit risk are past due or considered to be impaired.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due.

The Company has no borrowings and monitors its cash flow requirements daily which includes the amount required for purchases of securities, the amount receivable from sales of securities, and dividends and distributions to be paid or received.

The Company's inward cash flows depend mainly upon the amount of dividends and distributions received from the investment portfolio as well as the proceeds from the sale or takeover of investments. Should these inflows drop by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are purchases of investments and dividends paid to shareholders, the level of both is controllable by the Board and management.

The assets of the Company are largely in the form of tradeable securities which, if necessary, could be sold on market to meet obligations.

Current financial liabilities are disclosed in Note 11.

Market Risk

Market risk is the risk that changes in market prices will affect the fair value of financial instruments.

The Company is a listed investment company that invests in tradeable securities. Due to the nature of its business, the Company will always be subject to market risk as it invests its capital in securities which have fluctuating market prices.

A general fall in the fair value of long-term investments of 5% and 10%, if equally spread over all assets in the long-term investment portfolio, would lead to a reduction in the Company's equity of $177.4 million (2019: $201.2 million) and $354.8 million (2019: $402.3 million) respectively, after tax. The investment revaluation reserve at 30 June 2020 has an after tax balance of $1,103.8 million (2019: $1,653.4 million). It would require a 31% (2019: 41%) after tax fall in the value of the long-term investment portfolio to fully deplete this reserve.

The Company seeks to reduce the market risk of the long-term investment portfolio by ensuring that it is not, in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and market sectors are reviewed and risk is appropriately managed. The Company does not have set parameters as to a minimum or maximum amount of the long-term investment portfolio that can be invested in a single company or sector.

The Company's assets are spread across investment industry sectors as below:

	2020	**2019**
Materials	15%	15%
Banks	14%	17%
Health Care	12%	9%
Other Financials	10%	11%
Consumer Staples	10%	7%
Industrials	7%	7%
Telecommunication Services & I.T.	6%	6%
Consumer Discretionary	6%	7%
Listed Investment Companies	5%	5%
Energy	5%	5%
Utilities	4%	4%
Cash and Short-term Deposits	3%	4%
Property	3%	3%
	100%	100%

The following investments represent over 5% of the investment portfolio:

	2020	2019
CSL	6.1%	4.0%
Macquarie Group	5.6%	5.2%
BHP Group	5.1%	5.1%

The fair value of the Company's derivative financial instruments, being exchange traded options, are subject to market risk, as changes in market price will affect the fair value of the financial instrument. The Company seeks to reduce the market risk of these derivatives by imposing Board approved maximum exposure limits for each security and in total. The total exposure position is determined and monitored on a daily basis. The fair value of exchange traded options at balance date was $10.6 million (2019: $8.2 million) and is disclosed in Note 12. Investments with a market value of $100.2 million (2019: $52.0 million) were lodged with the ASX Clearing Corporation as collateral for any option positions written by the Company in the Exchange Traded Option Market.

The Company is not materially exposed to interest rate risk, as all of its cash investments and bank term deposits mature in the short-term and have a fixed interest rate.

The Company is not significantly exposed to currency risk, as the majority of investments are quoted in Australian dollars. At balance date all investments were quoted in Australian dollars.

Fair Value Measurement

The Company measures the fair value of its long-term investments, as required by Accounting Standard AASB 13 *Fair Value Measurement,* based on the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

30. LONG-TERM INVESTMENTS

The following long-term investments are valued at fair value through other comprehensive income.

	2020 No. of shares or units	2020 $'000	2019 No. of shares or units	2019 $'000
Adbri Ltd.	7,681,385	24,427	7,681,385	31,033
AGL Energy Ltd.	3,642,000	62,096	3,642,000	72,876
ALS Ltd.	5,104,023	33,482	5,104,023	37,464
Alumina Ltd.	12,429,285	20,197	12,429,285	28,960
Amcor plc	5,568,564	80,633	4,968,564	80,441
AMP Ltd.	5,381,674	9,983	10,381,674	22,009
Ansell Ltd.	336,972	12,367	636,972	17,103
APA Group	10,882,525	121,122	10,882,525	117,531
A.P. Eagers Ltd.	6,083,588	41,064	4,432,620	43,440
Argo Global Listed Infrastructure Ltd.	13,040,389	26,994	12,821,223	28,976
Aristocrat Leisure Ltd.	3,264,665	83,249	3,264,665	100,291
Australia and New Zealand Banking Group Ltd.	9,765,275	182,025	9,765,275	275,478
Australian United Investment Company Ltd.	14,314,840	115,234	14,416,456	130,901
Automotive Holdings Group Ltd.	-	-	5,943,484	16,642
Bega Cheese Ltd.	3,568,294	15,879	3,568,294	17,056
BHP Group Ltd.	7,406,304	265,294	7,406,304	304,843
Boral Ltd.	11,596,552	43,951	11,596,552	59,374
Brambles Ltd.	6,001,109	65,232	6,001,109	77,294
Brickworks Ltd.	584,009	9,245	584,009	9,514
Challenger Ltd.	5,440,311	23,992	5,440,311	36,124
Coles Group Ltd.	5,040,027	86,537	5,040,027	67,284
Commonwealth Bank of Australia	3,103,731	215,461	3,103,731	256,927
Computershare Ltd.	4,901,166	64,941	4,901,166	79,448
Corporate Travel Management Ltd.	-	-	736,682	16,575
Crown Resorts Ltd.	2,609,184	25,231	2,609,184	32,484
CSL Ltd.	1,113,370	319,537	1,113,370	239,375
Diversified United Investment Ltd.	9,269,575	39,210	9,269,575	40,415
Downer EDI Ltd.	6,159,538	26,979	2,659,538	18,404
DuluxGroup Ltd.	-	-	3,881,512	36,176
Eclipx Group Ltd.	12,086,416	15,108	12,086,416	15,833
Estia Health Ltd.	11,809,250	18,127	11,809,250	31,176
Event Hospitality & Entertainment Ltd.	3,262,387	27,437	3,262,387	40,780
Freedom Foods Group Ltd.	4,225,897	12,720	1,250,000	6,350
Genworth Mortgage Insurance Australia Ltd.	3,208,901	6,642	3,208,901	9,017
GPT Group	3,480,667	14,514	3,480,667	21,406
GUD Holdings Ltd.	2,066,508	23,785	2,066,508	20,686

	2020 No. of shares or units	2020 $'000	2019 No. of shares or units	2019 $'000
Harvey Norman Holdings Ltd.	5,213,182	18,455	5,213,182	21,218
Healius Ltd.	13,820,664	42,153	10,307,750	31,129
Iluka Resources Ltd.	1,000,000	8,540	1,700,000	18,309
Incitec Pivot Ltd.	-	-	1,000,000	3,410
Insurance Australia Group Ltd.	4,910,330	28,333	4,910,330	40,559
Intrepica Pty Ltd.	8,509,112	2,212	3,030,502	1,394
Intrepica Pty Ltd conv. notes	-	-	350,000	350
InvoCare Ltd.	2,743,277	28,750	2,315,252	37,021
IRESS Ltd.	969,680	10,618	891,884	12,424
James Hardie Industries plc	1,400,000	38,528	1,400,000	26,180
Lendlease Group	4,480,092	55,419	3,893,609	50,617
Lynas Corporation Ltd	6,000,000	11,610	6,000,000	15,420
Macquarie Group Ltd.	2,458,151	291,537	2,458,151	308,228
McGrath Ltd.	10,000,000	1,900	10,000,000	2,250
Milton Corporation Ltd.	15,969,198	65,314	17,108,251	80,580
Mirvac Group	6,000,551	13,021	6,000,551	18,782
Monash IVF Group Ltd.	19,982,646	10,591	11,454,986	15,980
National Australia Bank Ltd.	6,309,685	114,962	6,309,685	168,595
NOVONIX Ltd.	13,296,969	11,568	1,250,000	550
NOVONIX Ltd. loan notes FV A$0.60	-	-	3,500,000	2,100
NOVONIX Ltd. loan notes FV A$0.40	-	-	2,250,000	900
NOVONIX Ltd. options	-	-	2,250,000	-
Nufarm Ltd.	-	-	2,246,407	9,210
Oil Search Ltd.	7,371,125	23,366	4,800,000	33,936
Orica Ltd.	1,955,364	32,537	1,807,983	36,648
Origin Energy Ltd.	11,351,603	66,293	11,351,603	82,980
Orora Ltd.	1,500,000	3,810	-	-
Pact Group Holdings Ltd.	4,172,314	9,137	5,172,314	14,431
Paragon Care Ltd.	-	-	6,644,661	2,758
Peet Ltd.	18,152,705	17,608	18,152,705	20,331
Perpetual Ltd.	130,000	3,857	130,000	5,491
Premier Investments Ltd.	1,250,000	21,563	1,250,000	18,963
QANTM Intellectual Property Ltd.	4,900,053	5,782	4,900,053	6,958
QBE Insurance Group Ltd.	7,790,088	69,020	6,945,491	82,165
Ramsay Health Care Ltd.	2,023,131	134,579	1,666,319	120,375
Ramsay Health Care Ltd. reset conv. preference	25,000	2,571	25,000	2,686

	2020 No. of shares or units	2020 $'000	2019 No. of shares or units	2019 $'000
Reece Ltd.	5,706,493	52,443	5,180,177	50,558
Regis Healthcare Ltd.	-	-	1,660,959	4,368
Rio Tinto Ltd.	2,097,139	205,436	2,097,139	217,599
Rural Funds Group	16,281,523	31,261	12,494,364	28,737
Santos Ltd.	10,942,014	57,993	10,942,014	77,469
Scentre Group	7,526,662	16,333	7,526,662	28,902
Sonic Healthcare Ltd.	3,626,053	110,341	3,626,053	98,266
South32 Ltd.	6,265,004	12,781	7,265,004	23,103
Spark Infrastructure	6,868,363	14,836	6,868,363	16,690
Speedcast International Ltd	3,267,742	-	3,267,742	11,372
Steadfast Group Ltd.	12,778,079	42,934	11,775,120	41,331
Stockland	4,017,934	13,299	4,017,934	16,755
Suncorp Group Ltd.	5,882,097	54,292	5,027,906	67,726
Sydney Airport	14,758,175	83,679	14,758,175	118,656
Tabcorp Holdings Ltd.	10,586,538	35,782	10,586,538	47,110
Tassal Group Ltd.	9,251,055	31,916	7,334,275	35,938
Technology One Ltd.	5,964,564	52,429	5,964,564	47,001
Telstra Corporation Ltd.	44,514,800	139,331	43,514,800	167,532
The Star Entertainment Group Ltd.	5,300,000	15,052	5,300,000	21,836
Transurban Group	8,273,736	116,908	8,123,736	119,744
Treasury Wine Estates Ltd.	3,250,000	34,060	-	-
Viva Energy Group Ltd.	8,000,000	14,560	8,000,000	16,880
Vocus Group Ltd.	5,652,447	16,675	5,652,447	18,484
Washington H. Soul Pattinson and Company Ltd.	2,182,606	42,626	2,182,606	47,995
Wesfarmers Ltd.	5,040,027	225,944	5,040,027	182,247
Westpac Banking Corporation	11,908,448	213,757	11,908,448	337,724
Woodside Petroleum Ltd.	1,700,873	36,824	1,700,873	61,844
Woolworths Group Ltd.	3,229,526	120,397	3,233,026	107,433
Xplore Wealth Ltd.	12,603,572	706	18,803,572	1,880
Total long-term investments		**5,068,924**		**5,747,794**

31. EVENTS OCCURING AFTER THE REPORTING PERIOD

No matters or circumstances have occurred subsequent to the financial year end that have significantly affected, or may affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of Argo Investments Limited (Company):

(a) the consolidated financial statements and notes set out on pages 39 to 71 are in accordance with the *Corporations Act 2001* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2020.

Dated this 17th day of August 2020

Signed in accordance with a resolution of the Directors

R.A. Higgins AO
Chairman

Independent auditor's report

To the members of Argo Investments Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Argo Investments Limited (the Company) and its controlled entities (together, Argo) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of Argo's financial position as at 30 June 2020 and of its financial performance for the year then ended

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

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Level 11, 70 Franklin Street, ADELAIDE SA 5000, GPO Box 418, ADELAIDE SA 5001

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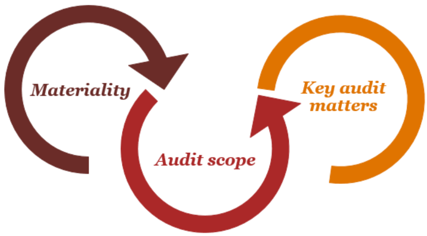
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Argo, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall materiality for Argo of $47.2 million, which represents approximately 1% of net assets of Argo at 30 June 2020.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets as the benchmark because, in our view, net assets is:
  - the benchmark against which the performance of Argo is most commonly measured;
  - the key driver of the business and determinant of Argo's value; and
  - a generally accepted benchmark for listed investment companies.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable net asset related thresholds.

Audit scope

- Our audit focused on where Argo made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Argo operates out of its Adelaide and Sydney offices with the finance function based in Adelaide. The investment management and administration operations for Argo are conducted by the Company's subsidiary, Argo Service Company Pty Ltd.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Existence and valuation of investments Argo has investments of $5.1 billion as at 30 June 2020 (refer note 8 of the financial report). Investments predominantly consist of listed Australian equities. Whilst there is not significant judgement in determining the valuation of Argo's investments, these represent a key measure of Argo's performance and comprise a significant proportion of total assets in the consolidated statement of financial position. The fluctuations in investment valuation will also impact the realised and unrealised gains/(losses) recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income which also affects the deferred tax provisions. Given the pervasive impact investments have on Argo's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.	Our audit procedures over listed investments included: 1) Recalculation of the movement of investments for the year, including purchases, sales and other relevant transactions. 2) Verifying the mathematical accuracy of the investments balance by multiplying quantity held by share or unit price as at 30 June 2020. 3) Testing a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmations from brokers. 4) Agreeing all investment quantity holdings at 30 June 2020 to external share registries. 5) Agreeing market prices used to fair value the investments to independent market pricing sources. 6) Assessing the operating effectiveness of relevant controls over the investments. 7) Evaluating the adequacy of the disclosures made in note 8 of the financial report in light of the requirements of Australian Accounting Standards.

Other information

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/admin/file/content/02/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 17 to 37 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Argo Investments Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

M.T. Lojszczyk
Partner

Adelaide
17 August 2020

Shareholder information as at 31 July 2020

	Ordinary shareholders
Number of shareholders holding:	
1- 1,000 shares	28,805
1,001- 5,000 shares	33,062
5,001- 10,000 shares	14,152
10,001- 100,000 shares	16,119
100,001 or more shares	492
Total number of shareholders (entitled to one vote per share)	**92,630**
Number of shareholders holding less than a marketable parcel	2,458

20 largest shareholders of ordinary shares

	No. of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	10,405,666	1.44
RCY Pty. Limited	6,166,887	0.86
JIT Pty. Limited	4,950,972	0.69
Australian Executor Trustee Limited (IPS Super a/c)	3,375,047	0.47
TRIGT Pty. Limited	2,852,478	0.40
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	2,707,388	0.38
McLennan Australia Corporation Pty. Ltd.	2,329,043	0.32
Netwealth Investments Limited (Wrap Services a/c)	2,317,819	0.32
Navigator Australia Ltd. (MLC Investment Sett a/c)	2,253,951	0.31
Citicorp Nominees Pty. Limited	2,196,451	0.30
Milton Corporation Limited	1,880,841	0.26
Donald Cant Pty. Ltd.	1,874,225	0.26
Kalymna Pty. Ltd.	1,608,087	0.22
Salur Holdings Pty. Limited	1,454,621	0.20
Bougainville Copper Limited	1,440,000	0.20
Poplar Pty. Ltd.	1,285,942	0.18
Jacaranda Pastoral Pty. Ltd.	1,212,614	0.17
HSBC Custody Nominees (Australia) Limited (Euroclear Bank SA NV a/c)	1,059,667	0.15
Ling Nominees Pty. Ltd. (Ling Family a/c)	1,056,195	0.15
Australian Executor Trustees Limited	1,040,277	0.14
	53,468,171	**7.42**

The Company has an on-market buy-back arrangement in place but it was not activated during the year.

Argo Investing in Australia

argoinvestments.com.au

Milton
CORPORATION LIMITED

Annual Report 2020

Company Profile
Milton Corporation Limited

Milton was established as a private investment company for four shareholders in 1938. It became a public company in 1950 and listed on the Sydney Stock Exchange in 1958. Milton is now an investment company for 29,500 shareholders and is listed on the Australian Securities Exchange (ASX) under the code MLT.

Investment philosophy

Milton is predominantly a long term investor in companies and trusts listed on the ASX that are well managed, with a profitable history and an expectation of increasing dividends and distributions. Turnover of investments is low and capital gains arising from disposals are reinvested.

Milton also holds liquid assets such as cash and term deposits as well as real property development through joint ventures.

Milton aims to pay increasing fully franked dividends to shareholders over time.

Benefits of investing

Shareholders receive fully franked dividends semi-annually.

Ordinary fully franked dividends are paid out of profit after tax excluding special investment revenue and costs associated with the acquisition of subsidiaries. Dividends have been paid every year since listing and they have been fully franked since the introduction of franking. Special fully franked dividends may be paid out of special investment revenue.

The investment portfolio provides shareholders with exposure to diversified assets.

Milton's $2.7 billion equity investment portfolio comprises interests in companies and trusts which are listed on the ASX and are expected to deliver increased investment revenue over the long term. Consistent application of this investment philosophy over many years has created a portfolio that is not aligned with any securities exchange index.

Shareholders have an investment in a low cost, efficiently managed company with total administration costs that represent 0.14% per annum of total assets.

Milton's board oversees the performance of its executives who are employed by the company to manage its investments for the benefit of shareholders.

Important Dates

Final Dividend

Ex date:	13 August 2020
Payment date:	2 September 2020
DRP application closing date:	17 August 2020

Annual General Meeting

Meeting date:	20 October 2020
Virtual Meeting	at 3.00pm

The AGM will be webcast and can be viewed at the following link.

https://agmlive.link/MLT20

Key Highlights

Net Profit after tax A$ 116.9m	**Underlying Operating Profit(1)** A$ 111.3m
Basic Earnings Per Share cents per share 17.45	**Underlying Earnings Per Share** cents per share 16.6
Fully Franked Ordinary Dividends cents per share 17.5	**Dividend Yield(2)** 4.3%
Total Assets A$ 2.9Bn	**Management Expense Ratio** 0.14%

(1) Underlying operating profit excludes special investment revenue and acquisition costs net of tax.

(2) Based on share price as at 30 June 2020 and excludes benefit of franking credits

Contents

Corporate Governance Statement

Our Corporate Governance Statement is available on the company website at *milton.com.au/corporate-governance.html* and is lodged with ASX with this Report.

Directors Report
for the year ended 30 June 2020

The directors present their report together with the financial statements of the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries for the financial year ended 30 June 2020 and the independent auditor's report thereon.

Principal activities

The principal activity of Milton is investment. Milton invests in companies and trusts, real property development, fixed interest securities, and liquid assets such as cash and term deposits. There has been no significant change in the nature of this activity during the financial year.

Operating and Financial Review

Financial Highlights

Milton Corporation reported net profit after tax of $116.9 million for the year ended 30 June 2020, a decrease of 20.8% on the prior year. This represents earnings of 17.45 cents per share.

Special dividend income was $5.8 million in 2020, a reduction of 59% from the elevated $14.1 million of special dividend income in the 2019 financial year.

Special dividends from companies including ASX, RIO Tinto, Telstra, TPG and TUAS were received in 2020. Resource companies are continuing to enjoy favourable trading conditions and elected to return the capital generated to shareholders. TPG/TUAS was a result of corporate restructuring related to the TPG Vodafone merger.

Underlying profit after tax for 2020, which excludes special dividend income, was $111.3 million, a decrease of 16.7% on the prior year. Milton's Board primarily uses underlying profit when determining ordinary dividends to enhance their reliability. Underlying earnings per share decreased by 17.3% to 16.6 cents per share.

Ordinary dividend income of $117.2 million, generated by Milton's diversified $2.7 billion portfolio of Australian listed companies, declined by 15.1% in 2020.

The lower dividend income was due to the reduction, deferral or elimination of dividends by many companies, but primarily banks in the second half of the 2020 financial year. Government mandated COVID19 business lockdowns, capital preservation requirements and elevated uncertainty forcing many companies to act to preserve cash.

Milton's investment team took proactive actions in 2020 to reduce some bank and certain other shareholdings to reduce this impact.

Milton's bank shareholdings had been reduced materially in the first half of the financial year due to concerns regarding long-term earnings of certain banks. At the end of the financial year 17% of Milton's investment portfolio was invested in retail banks, reduced from 28% at 30 June 2019.

Trading income was materially higher in 2020 due to a large number of opportunities presented by COVID19 related capital raises.

Dividends

Milton's Board of Directors have declared a final dividend of 8.5 cents per share, payable on 2 September 2020 to shareholders of record on 14 August 2020.

Full year ordinary dividends of 17.5 cents per share were declared in relation to 2020 earnings. This represents a payout ratio of 105.5% of Milton's 2020 underlying profit after tax.

All 2020 dividends are fully franked and Milton has $98.4 million of remaining franking credits after the payment of the final dividend.

It is the Board's expectation that dividend income from Milton's investment portfolio will remain under pressure in 2021 whilst uncertainty regarding the path and duration of COVID19 related lockdowns continues.

Dividends paid or declared by Milton to members since the end of the previous financial year are shown in the table opposite.

Dividend Reinvestment Plan (DRP)

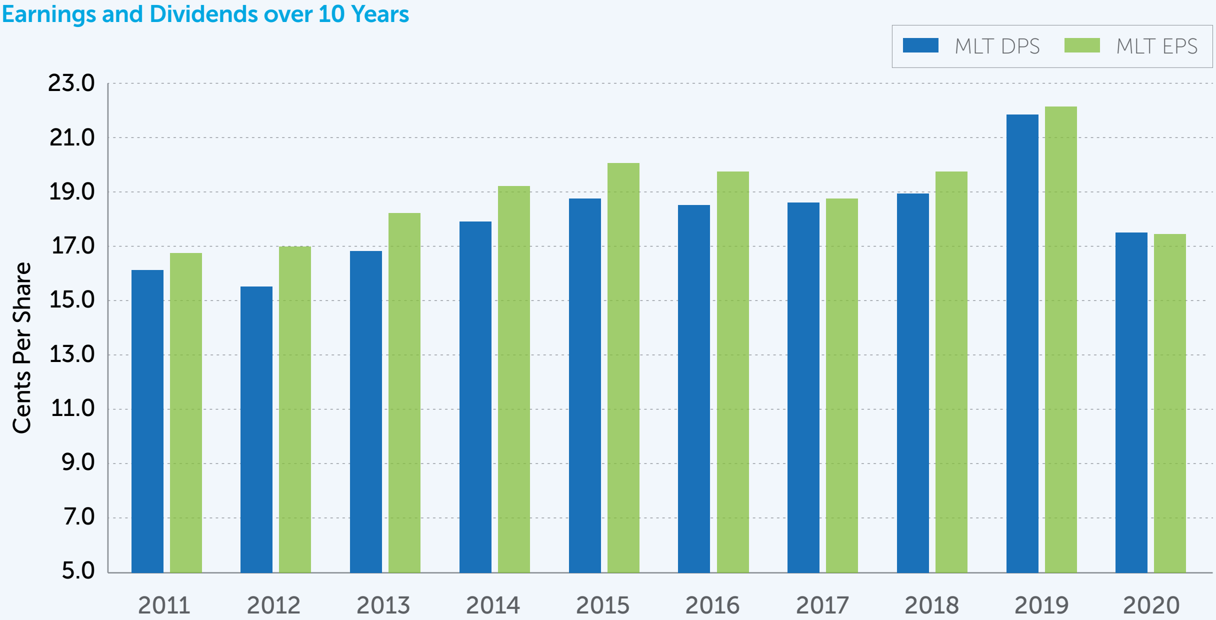
The DRP will be available for the final dividend. The last day for receipt of an election to participate is 17 August 2020.

Dividends

	Cents per share ¢	Total amount $'000	Date of payment
Declared and paid during the year			
Final 2019 ordinary fully franked	10.4	69,572	3 September 2019
Interim 2020 ordinary fully franked	9.0	60,323	5 March 2020
Declared after end of year and not provided for at 30 June 2020			
Final 2020 ordinary fully franked	8.5	57,063	2 September 2020

No LIC capital gain was included in the above dividends.

Earnings and Dividends over 10 Years



Dividends per share (DPS)
Earnings per share (EPS)

Five Year Financial Summary

	2020	2019	2018	2017	2016
Underlying operating profit after tax[1] ($m)	**111.3**	133.6	128.8	122.0	126.4
Underlying earnings per share (cents)	**16.6**	20.1	19.6	18.7	19.5
Profit after tax ($m)	**116.9**	147.7	130.0	122.4	127.9
Earnings per share (cents)	**17.45**	22.2	19.8	18.8	19.8
Management Expense Ratio (%)	**0.14**	0.14	0.14	0.12	0.13
Interim dividend (cps)	**9.0**	9.0	8.8	8.7	8.7
Final dividend (cps)	**8.5**	10.4	10.2	10.0	9.9
Full year ordinary dividend (cps)	**17.5**	19.4	19.0	18.7	18.6
Special dividend (cps)	**–**	2.5	–	–	–
Net assets[2] at 30 June ($m)	**2,863**	3,292	3,114	2,939	2,746
NTA per share pre-tax[2] at 30 June ($)	**4.26**	4.92	4.73	4.51	4.22
NTA per share post-tax[3] at 30 June ($)	**3.83**	4.30	4.16	3.99	3.79
Last sale price at 30 June ($)	**4.09**	4.71	4.61	4.51	4.28
All Ordinaries Index at 30 June	**6,001**	6,699	6,290	5,764	5,310
Ten year TSR (% per annum)	**7.2**	9.7	6.5	4.7	5.3
Five year TSR (% per annum)	**2.5**	5.2	9.1	12.9	11.4
Shares on issue (million)	**671.3**	669.0	658.2	651.9	649.9
Number of shareholders	**29,514**	26,995	25,864	24,726	23,729

Notes

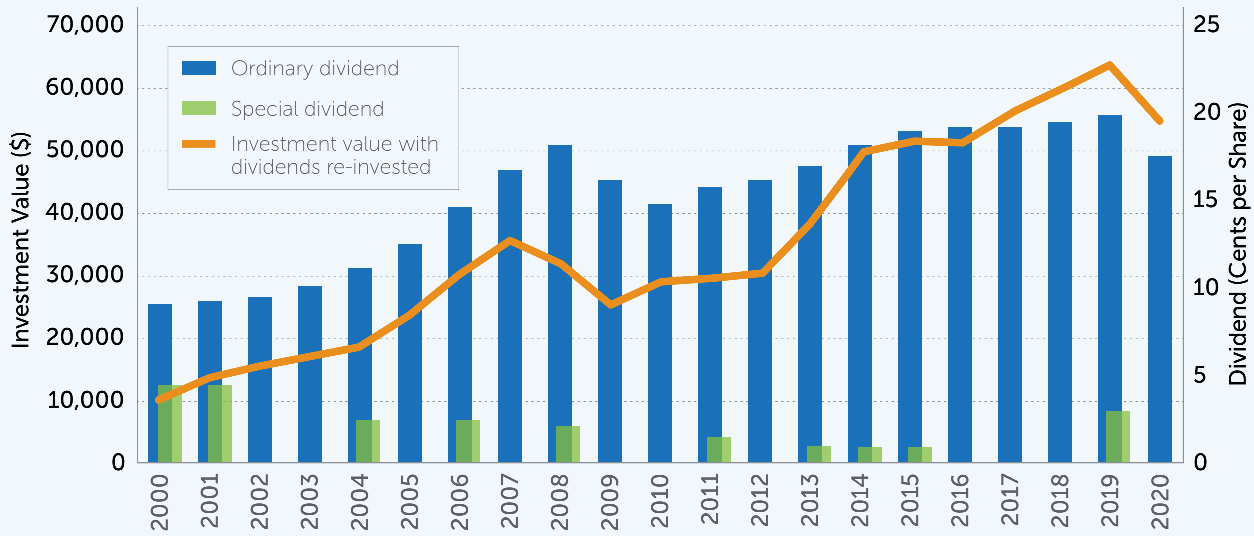
1 Underlying operating profit after tax excludes special investment revenue and costs associated with the acquisition of subsidiaries.
2 Before provision for tax on unrealised capital gains and before providing for the ordinary final dividend.
3 After provision for tax on unrealised capital gains and before providing for the ordinary final dividend.

Directors Report
continued

Portfolio Performance

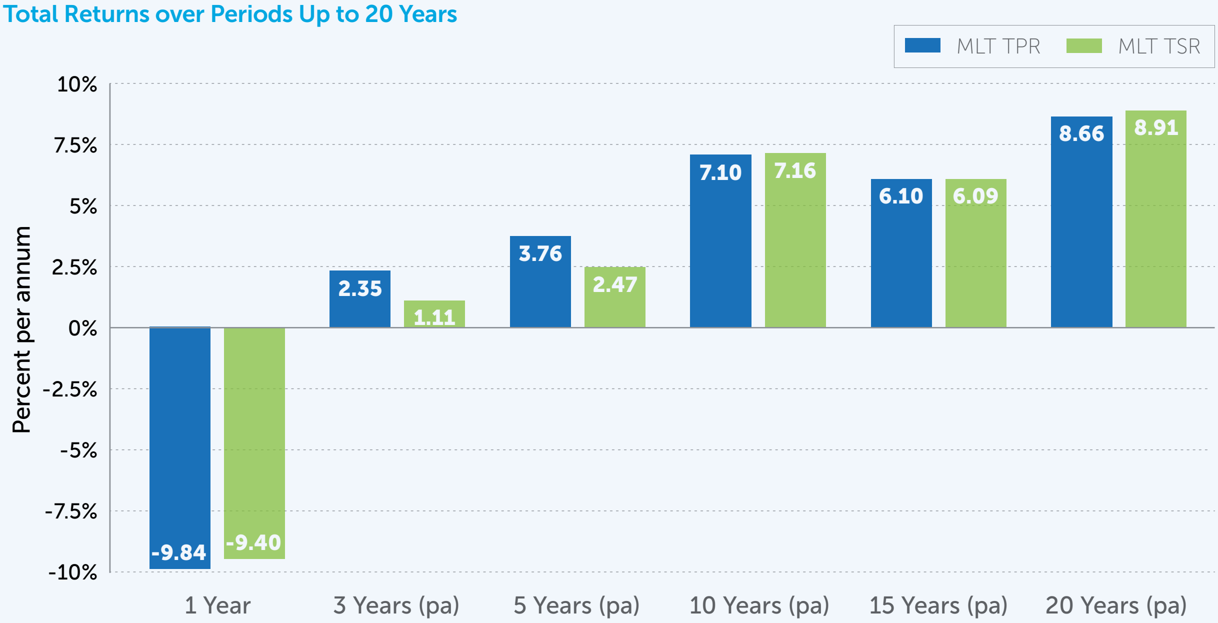
Milton's portfolio reflects the emphasis placed on investing in companies that pay increasing dividends over the long term from quality earnings streams. Milton's portfolio is not aligned to any index so it may underperform broad market indices over the short term. Milton's long term returns are shown below. The returns do not take into account the benefit of franking credits which may be utilised by some shareholders.

Dividend and Investment Growth over 20 years



If $10,000 invested in MLT in June 2000, and if dividends were re-invested over the 20 years, the value of the investment in June 2020 would be worth $54,670. Ordinary dividends increased from 8.60cps in FY2000 (adjusted for 5:1 split in Oct 2013) to 17.5cps in FY2020.

Total Returns over Periods Up to 20 Years



Total portfolio return (TPR) *is the percentage change in Milton's NTA per share plus dividends received by shareholders.*
Total shareholder return (TSR) *is the percentage change in Milton's share price plus dividends received by shareholders.*
TPR and TSR above do not take into account franking credits which may be of benefit to certain shareholders.

Directors Report
continued

Review of Investments

Milton's total assets were $2.9 billion at 30 June 2020 (2019: 3.3 billion). Net Tangible Assets (NTA) per share before deferred tax liability was $4.26 per share.

Total portfolio return, combining Milton's NTA per share movement and dividends received by shareholders was -9.8%.

Cash balances at 30 June 2020 were $114.1 million, increased from $110.3 million at 30 June 2019.

Milton continues to have no debt.

The 2020 financial year was transformative for Milton's investment portfolio, with bank weighting reduced from 28% at 30 June 2019, to 17% at 30 June 2020. Our long-term bank shareholdings were reduced due to concerns regarding earnings and dividend growth. These concerns stem from declining credit quality, increased compliance costs and the impact of technology based disruption.

In a large part these reductions occurred in the first half of 2020, before COVID19 concerns surfaced.

Milton retains significant investments in Commonwealth Bank, Westpac and NAB and believe that the long-term outlook favours larger banks that are better able to continue to invest in their platforms.

Milton's portfolio is presently comprised of 71 listed companies, that number reduced from 85 at 30 June 2019.

In a highly volatile year for the equity markets, which saw a 37% fall in the All Ordinaries from the peak in February 2020 due to COVID19 concerns and then a 31% rebound due to investor optimism, Milton remained invested and took advantage of the opportunities presented by volatility and company capital raises.

During the 2020 financial year, $269.8 million was added to new and existing investments. Investments were increased in Macquarie Group, Transurban, Sydney Airports, BHP, Cleanaway, IOOF, Origin Energy, Sonic Healthcare, Amcor, REA, Charter Hall, Altium and Qube. New investments were made in Pro Medicus, Johns Lyng Group and Magellan Financial Group.

$276.2 million of sales were made in 2020 and included the complete disposal of Milton's investments in ANZ Bank, Bank of Queensland, Bendigo and Adelaide Bank, Auswide Bank, Janus Henderson, Flight Centre, Blackmores, New Hope, Regis, Adelaide Brighton, Boral, Dulux and Orica. Investments in Westpac and QBE were also reduced.

There remains, as seen in previous years, a high level of dispersion between high growth companies and those that are perceived to be more defensive. Valuations in the industrials sector are at record levels with historically low interest rates a primary contributor. Sectors such as health care and technology outperformed banks and resource companies materially.

The Milton management team, with the support of the Investment Committee, continue to review and modify our portfolio on an ongoing basis. Milton's portfolio reflects the emphasis we place on companies that pay increasing dividends over the long term from quality earnings streams.

We believe that the portfolio is well positioned to grow its dividend income over the long term, but recognise that the current situation is one of elevated volatility.

Table B. Top 25 investments at 30 June 2020

	Market Value $m
Commonwealth Bank	218.0
Macquarie Group Limited	192.8
Westpac Banking Corporation	179.2
W H Soul Pattinson & Company	179.2
BHP Group Limited	173.9
CSL Limited	172.5
Wesfarmers Limited	129.0
Woolworths Group Limited	109.5
National Australia Bank Limited	88.7
Transurban Group Limited	82.2
Rio Tinto Limited	65.5
AGL Energy Limited	60.9
Brickworks Limited	51.2
Coles Group Limited	49.4
Telstra Corporation Limited	47.7
ASX Limited	46.9
A P Eagers Limited	45.9
ALS Limited	39.9
Perpetual Limited	36.6
Amcor PLC	35.2
Insurance Australia Limited	34.8
Suncorp Group Limited	29.7
Sonic Healthcare Limited	28.6
TPG Telecom Limited	28.1
Woodside Petroleum Limited	27.9
Total market value of Top 25	2,153.3
Total Assets	**2,866.1**

Classification of Investments by Sector

The following asset classification table shows the composition of Milton's assets by sector.

Classification[1]	Closing position $m	Additions $m	Disposals[3] $m	Change in value $m	Opening position $m	2020 Income $m	Closing position weighting %
Bank	486.0	–	(180.1)	(257.4)	923.5	35.1	17.0
Diversified Financials	344.6	112.1	(11.7)	(25.2)	269.4	14.2	12.0
Materials	329.5	39.6	(39.8)	(39.1)	368.8	18.2	11.5
Consumer Staples	309.7	–	(24.6)	32.3	302.0	10.6	10.8
Energy	227.9	10.4	(1.7)	(44.1)	263.3	8.1	8.0
Health Care	224.5	9.1	(2.5)	41.2	176.7	3.1	7.8
Transport	136.4	36.1	–	(16.2)	116.5	4.3	4.8
Real Estate	111.1	19.2	–	(21.4)	113.3	5.5	3.9
Insurance	95.1	6.1	(15.7)	(25.2)	129.9	5.4	3.3
Commercial Services	87.5	14.1	(0.2)	(10.4)	84.0	2.6	3.1
Utilities	84.0	–	–	(9.9)	93.9	5.0	2.9
Telecommunications	76.8	1.2	–	(3.3)	78.9	5.3	2.7
Retailing	72.4	–	–	(20.0)	92.4	2.3	2.5
Media	39.7	10.6	–	1.5	27.6	1.1	1.4
Capital Goods	31.7	2.5	–	(17.6)	46.8	0.8	1.1
Information Technology	26.7	7.8	(0.5)	0.8	18.6	0.3	0.9
Consumer Services	21.5	1.0	(0.8)	(13.2)	34.5	0.9	0.7
Other shares	1.1	–	–	–	1.1	0.1	–
Total equity investments	**2,706.2**	**269.8**	**(277.6)**	**(427.2)**	**3,141.2**	**122.9**	**94.4**
Liquids[2]	125.0				125.5	1.5	4.4
Property joint ventures	24.7				23.1	0.9	0.9
Other assets	10.2				4.1	1.5	0.3
Total	**2,866.1**				**3,293.9**	**126.8**	**100.0**

Notes
1 Investments are grouped according to their asset classes using the Global Industry Classification ("GICS") codes.
2 Liquids include cash, term deposits, hybrid securities and dividends receivable.
3 Includes capital returns of $1.4 million.

Directors Report
continued

Management Expense Ratio (MER)

Milton is fully internally managed, with no performance or management fees paid. Investment staff are focused on maximising net returns to shareholders with Management and the Board aligned with shareholders.

Milton's MER for the 2020 year was 0.14% which is unchanged from 2019.

COVID19 Concerns and Impacts

The emergence of COVID19 has had broad impact on economies, companies and individuals. The pandemic remains a major global issue, and is likely to have ongoing impact until a vaccine or treatment emerges.

Milton have taken steps to ensure that its employees are working in a safe environment, and the company has continued to operate as normal, with some employees working remotely.

This year's Annual General Meeting will be held virtually to ensure the safety of shareholders and employees and to be consistent with government guidelines.

Milton, as a long-only equity market investor focused on income growth, is directly exposed to the ongoing volatility in investment markets at present. We expect this volatility to continue and have taken steps to ensure that we retain an appropriate amount of financial flexibility. Milton's portfolio has been adjusted to best reflect those concerns, with volatility during the year also providing opportunity to add to certain investments.

Of particular concern to Milton is the likelihood that companies will continue to reduce, delay or cancel dividends in 2021. These decisions may be driven by further outbreaks, extended lockdowns, the impact of economic recession or regulators.

These concerns have contributed to Board decisions regarding the final dividend, notwithstanding the elevated payout ratio at present, and is further expressed in the robust levels of cash held at 30 June 2020.

Milton's management team and Board are confident that we are well positioned and will continue to review the situation, and Milton's portfolio, as new information emerges.

2021 Financial Year Outlook

Milton forecasts that company earnings and dividend growth will remain limited as uncertainty regarding the impact of COVID19 persists and companies conserve cash in a highly uncertain environment.

As a result, we expect that Milton's earnings will be lower in 2021.

We note however that forecasting in such an uncertain environment is very challenging.

A disconnect currently exists between expensive asset prices and an uncertain short-term earnings environment. Much of the recent rise in asset prices is driven by the extraordinary actions of governments and central banks to support individuals and businesses affected by economic lockdowns with income support and low interest rates.

Low interest rates are expected to persist for the near future, driving investors to equity markets and supporting valuations. Low term deposit rates will also reduce returns on Milton's cash balances.

Notwithstanding Milton's much reduced bank sector investments, we remain particularly concerned about pressure on bank earnings and dividends due to compliance costs, declining credit quality and the impact of technology based disruption.

We remain confident that our resource stocks are well positioned to generate growing income due to high iron ore prices and low debt levels.

The accelerating impact of technology, climate policy and the rate of change in the business cycle continue to be major factors for all companies.

Milton expects that special dividends of the magnitude received in 2020 are unlikely to recur in the 2021 financial year.

Milton's joint venture investments are positively exposed to growing first homebuyer activity and are expected to improve in 2021, assisted by generous government schemes.

Milton's strong balance sheet with no debt, available profit reserves and franking credits provides confidence in Milton's ability to continue paying fully franked dividends.

A further update on the portfolio and underlying market conditions will be provided at Milton's Annual General Meeting to be held on 20 October 2020.

Board of Directors and Company Secretary

Directors

The directors of Milton at any time during or since the end of the financial year are:

Robert D. Millner FAICD
Independent non-executive chairman

Director of Milton Corporation Limited since 1998 and appointed chairman in 2002. Chairman of the Investment and Remuneration Committees. Extensive experience in the investment industry.

Other current directorships:

Director of Australian Pharmaceutical Industries Limited since 2000, Director of Apex Healthcare Berhad since 2000, Chairman of BKI Investment Company Limited since 2003, Director of Brickworks Limited since 1997 and appointed chairman in 1999, Director of New Hope Corporation Limited since 1995 and appointed chairman in 1998, Director of TPG Telecom Limited since 2000, Director of Tuas Limited since June 2020, Director of Washington H. Soul Pattinson & Company Limited since 1984 and appointed chairman in 1998.

Former directorships in the last three years:

Australian Pharmaceutical Industries Limited from 2000 to June 2020.

Graeme L. Crampton B.Ec, FCA, FAICD
Independent non-executive director

Director of Milton Corporation Limited since 2009. Chairman of the Audit & Risk Committee and a member of the Remuneration Committee. A Chartered Accountant and former partner of a major firm of Chartered Accountants for more than 28 years and has extensive experience in the investment industry.

Kevin J. Eley CA, F Fin, FAICD
Independent non-executive director

Director of Milton Corporation Limited since 2011. Member of the Investment and Audit & Risk Committees. A Chartered Accountant and has extensive experience in the investment industry.

Other current directorships:

Director of EQT Holdings Limited since 2011 and HGL Limited since 1985. Director of Pengana Capital Group Limited since 2017 (formerly Hunter Hall International Limited from 2015 to 2017).

Justine E. Jarvinen BE(Chem), F Fin, GAICD
Independent non-executive director

Appointed a non-executive director of Milton since August 2017. Member of the Investment Committee. An Engineer with experience in equity markets and strategy development.

Brendan J. O'Dea B.Ec, M.Bus, CA, MAICD
Managing Director

Managing Director of Milton Corporation Limited with effect from 1 August 2018. Member of the Investment Committee. A Chartered Accountant and has extensive investing and business management experience with over 22 years at a global investment bank as a Managing Director.

Ian A. Pollard BA (Macq), MA (Oxon), D Phil (IMC), FIAA, FAICD
Independent non-executive director.

Director of Milton Corporation Limited since 1998. Member of the Audit & Risk and Remuneration Committees. An Actuary and over 43 years of involvement in the investment industry.

Former directorships in the last three years:

Billabong International Limited from 2012 to 2018, SCA Property Group from 2012 to 2018.

Company Secretary

Nishantha Seneviratne MBA, ACMA, CGMA, CPA, AICM, AGIA, ACIS

Appointed Company Secretary and Chief Financial Officer in December 2012. Mr Seneviratne joined Milton as the Senior Accountant in March 2010. Prior to joining Milton, he was a Financial Controller for a group of private companies for over six years. He is an associate member of the Governance Institute of Australia (GIA) and Institute of Chartered Secretaries and Administrators (ICSA).

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of Milton during the financial year are shown in Table D below.

Directors' relevant interests

No director has or has had any interest in a contract entered into since the last Directors' Report or any contract or proposed contract with Milton or any subsidiary or any related entity other than as disclosed in note 17 to the financial statements.

The relevant interest of each director in the capital of Milton at the date of this report is as follows:

Director	Number of Shares
R.D. Millner	13,047,096
G.L. Crampton	169,172
K.J. Eley	131,000
B.J. O'Dea	388,392
J.E. Jarvinen	15,000
I.A. Pollard	91,129

Table D. Directors' Meetings

Director	Directors' Meetings		Investment Committee Meetings		Audit & Risk Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
R.D. Millner	7	7	21	22	*	*	1	1	1	1
G.L. Crampton	7	7	*	*	5	5	1	1	1	1
K.J. Eley	7	7	22	22	5	5	1	1	*	*
B. O'Dea(2)	7	7	22	22	*	*	1	1	*	*
I.A. Pollard	7	7	*	*	5	5	1	1	1	1
J.E. Jarvinen	7	7	19	22	*	*	*	*	*	*

A Number of meetings attended.
B Number of meetings held during the time the director held office or was a member of the committee during the year.
* Not a member of the relevant committee.

Indemnification and insurance of directors, officers and auditors

Neither Milton nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the *Corporations Act 2001* during or since the financial year ended 30 June 2020.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contracts.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of Milton during the past financial year other than as disclosed in the financial statements.

Events subsequent to reporting date

Apart from the information contained in note 24 to the financial statements, no matter or circumstance has arisen since the end of the financial year that has or may significantly affect the operations, results or state of affairs of Milton in subsequent financial years.

Likely developments

Milton will continue its investment activities consistent with its objective of generating increasing revenue for distribution to its shareholders from its diversified portfolio of assets.

The performance of Milton's investments is subject to and influenced by many external factors and therefore it is not appropriate to predict the future results of the investments and Milton's performance.

This Directors Report contains information relating to Milton's past performance, review of operations and outlook.

Environmental regulations

There are no significant environmental regulations that apply directly to Milton.

Environmental, Social and Governance matters are considered by Milton's Investment committee to ensure sustainability of income.

Non-audit services

During the year, Pitcher Partners, Milton's auditor, has performed certain non-audit services in addition to its statutory duties. Details of the amounts paid to the auditors and related practices of the auditor are disclosed in note 19 to the consolidated financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by Milton and have been reviewed and approved by the Audit & Risk Committee to ensure they do not impact on the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement *APES110 Code of Ethics for Professional Accountants (including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Milton, acting as an advocate for Milton or jointly sharing risks and rewards.

The auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 19.

Rounding off

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Remuneration Report
for the year ended 30 June 2020

This report, which is audited, details the policy for determining the remuneration of directors and executives and provides specific details of their remuneration.

Remuneration of non-executive directors

Non-executive directors are paid base fees, committee fees and superannuation contributions.

Fees are not linked to Milton's performance and no bonuses are paid or options issued.

Each year the base fees and committee fees are determined by the board of directors who take into account the demands made on directors and the remuneration of non executive directors of comparable Australian companies.

Base fees and committee fees
(including superannuation contributions)

	2020 $	2019 $
Chairman base fee	**147,358**	143,764
Director base fee	**73,679**	71,882
Chairman of the Audit & Risk Committee fee	**6,520**	6,361
Member of the Audit & Risk Committee fee	**3,696**	3,606
Member of the Investment Committee fee	**6,520**	6,361

The total remuneration paid to non-executive directors in 2020 was $475,546 (2019: $463,946).

In October 2011 shareholders approved an increase in the maximum non-executive directors' total remuneration to $700,000.

Non-executive directors, who were appointed before 30 June 2003, are entitled to retirement benefits in accordance with a shareholder approved scheme. In June 2003 the board resolved to cap retirement benefits for all directors at the amounts provided as at 30 June 2003. The total balance provided at 30 June 2020 is $100,905 (2019: $100,905).

Remuneration of executives

Executive remuneration is a key element of the staff retention strategy which is designed to attract and retain appropriately qualified and experienced professionals who share Milton's goals and values and will seek to deliver superior long term returns to its shareholders.

The remuneration of the managing director and senior executives is reviewed annually by the Remuneration Committee which then makes recommendations to the board for its consideration and approval.

In formulating its recommendations, the Remuneration Committee considers:

- the short term and long term performance of the Company as measured by dividend growth and total returns;
- the contribution of the managing director and the senior executives to this performance;
- market trends in remuneration in terms of both quantum and structure; and
- the remuneration of key management personnel of other listed investment companies with similar long term investment philosophies and objectives.

Executive remuneration includes a component known as the Total Employment Cost Package (TECP), and it may include a cash bonus component and an equity component.

The TECP includes cash salary, company contributions to superannuation and it may include non monetary benefits such as the provision of a motor vehicle and car parking.

No executive is entitled to a guaranteed bonus however the board may award a cash bonus to reward an executive's outstanding contribution to the achievement of Milton's objectives. The board will consider qualitative measures such as contribution to the investment process, participation in board discussions, timeliness and accuracy of reports and staff development when assessing executive performance.

In determining the amount of any bonus the board has regard to quantitative measures such as underlying operating earnings per share, dividends per share and total returns relative to the market as a whole. Average cash bonus paid was 13% of TECP for 2020.

The equity component of the remuneration package encourages executives to have an investment in Milton to align their interests with shareholders.

The equity component is delivered through participation in the Senior Staff Share Plan ("SSSP"), which was approved by shareholders at Milton's Annual General Meeting on 9 October 2001 (refer note 18b to the financial statements).

In accordance with the terms of the SSSP, the directors determine the maximum number of shares for which the executive may apply. All SSSP shares are acquired on the market and held on behalf of the executives by the trustee of the SSSP. The price offered to the executive shall be at a discount of one cent per share to the market value of the shares.

Executives are required to hold the SSSP shares for a minimum period of three years however the benefit to the executive is increased through long term ownership to the extent dividends are paid and the Milton share price appreciates.

Milton provides an interest free loan to the executives to fund the acquisition of each parcel of SSSP shares. Each loan is repaid by the application of the after tax proceeds from the dividends paid on the SSSP shares. The opportunity cost to Milton of providing the loan is the notional interest. The Remuneration Committee includes this cost when it reviews each executive's TECP.

SSSP shares may not be sold, transferred, mortgaged or otherwise dealt with by the executive for a period of three years from the date of issue or until the executive ceases employment with Milton.

If the executive's employment ceases, the executive may within 30 days repay the loan and direct the trustee to transfer the shares to the executive or, provided the value of the shares is greater than the loan outstanding, direct the trustee to sell the shares, repay the loan and distribute the balance to the executive. Otherwise the trustee will sell the shares when so directed by Milton and apply the proceeds to the repayment of the loan.

The board considers that the SSSP is appropriately designed to encourage long term ownership of shares by executives, which then aligns their interests with that of Milton's predominantly long term shareholder base.

Executives, other than the managing director, may participate in the Employee Share Plan ("ESP") which provides for a bonus of up to $1,000 to be paid in the form of Milton shares (refer note 18a to the financial statements).

Eligible executives are provided with life, total and permanent disablement and salary continuance insurance.

The overall level of executive reward takes into account the performance of Milton over a number of years. Key performance indicators for Milton over five years are tabled on the following page.

At Milton's 2019 Annual General Meeting, shareholders supported the remuneration report for the 2019 financial year with 84.8% of the proxies in favour of the resolution to approve the report. The resolution to approve the remuneration report was passed by a show of hands at the Annual General Meeting held in October 2019.

Key performance indicators

	2020	2019	2018	2017	2016
Profitability					
Underlying operating profit ($ million)	**111.3**	133.6	128.8	122.0	126.4
(Decline) growth in underlying operating profit (%)	**(16.7)**	3.7	5.6	(3.5)	1.1
Underlying earnings per share (cents)	**16.6**	20.1	19.6	18.7	19.5
(Decline) growth in underlying earnings per share (%)	**(17.3)**	2.4	4.7	(4.1)	(0.4)
Dividend					
Full year ordinary dividend (cents per share)	**17.5**	19.4	19.0	18.7	18.6
(Decline) growth in full year ordinary dividend (%)	**(9.8)**	2.1	1.6	0.5	1.1
Special dividend (cents per share)	**–**	2.5	–	–	–
Capital					
Net asset backing per share pre-tax[1] at 30 June ($)	**4.26**	4.92	4.73	4.51	4.22
(Decline) growth in net asset backing per share (%)	**(13.4)**	4.0	4.9	6.9	(3.9)
Net assets[1] at 30 June ($ million)	**2,863**	3,292	3,114	2,939	2,746
Total Return					
Ten year Total Shareholder Return (TSR)	**7.2**	9.7	6.5	4.7	5.3
Ten year Total Portfolio Return (TPR)	**7.1**	9.6	6.9	4.2	5.6
Ten year accumulation return of the All Ordinaries Index (XAOAI)	**7.8**	10.0	6.2	3.5	4.9

1 Before provision for tax on unrealised capital gains

Details of remuneration

Amounts of remuneration

Details of the remuneration of each non-executive director of Milton Corporation Limited, the managing director and specified executives of Milton for the years ended 30 June 2019 and 2020 are set out in the following tables.

Non-executive directors of Milton Corporation Limited

Non-executive directors			Short Term Benefits – Fees $	Post Employment Super-annuation $	Retirement Benefits paid $	Total Paid $	Retirement Provision[1] $
R.D. Millner	Chairman	**2020**	**140,528**	**13,350**	**–**	**153,878**	**55,905**
		2019	137,100	13,025	–	150,125	55,905
G.L. Crampton	Director	**2020**	**56,199**	**24,000**	**–**	**80,199**	**–**
		2019	54,242	24,000	–	78,242	–
K.J. Eley	Director	**2020**	**76,616**	**7,279**	**–**	**83,895**	**–**
		2019	74,747	7,101	–	81,848	–
I.A. Pollard	Director	**2020**	**70,662**	**6,713**	**–**	**77,375**	**45,000**
		2019	68,938	6,549	–	75,487	45,000
J.E. Jarvinen	Director	**2020**	**73,241**	**6,958**	**–**	**80,199**	**–**
		2019	71,453	6,788	–	78,241	–
Total remuneration		**2020**	**417,246**	**58,300**	**–**	**475,546**	**100,905**
		2019	406,480	57,463	–	463,943	100,905

1 The directors' retirement benefits have been capped at the balance provided at 30 June 2003

Managing director and executives of Milton Corporation Limited and its subsidiaries

Managing director and executives		Salary $	Cash Bonus[1] $	Post Employment Super-annuation $	Other long term benefits[2] $	Share based payments[3] $	Total $
		Short Term Benefits					
B.J. O'Dea[4] Managing Director	**2020**	**651,000**	**112,500**	**24,000**	**–**	**68,580**	**856,080**
	2019	572,672	125,000	23,995	–	42,490	764,157
F.G. Gooch Former MD	**2020**	**–**	**–**	**–**	**–**	**–**	**–**
	2019	62,897	49,723	18,795	219,357	11,291	362,063
D.N. Seneviratne CFO, secretary	**2020**	**205,740**	**27,500**	**19,260**	**3,461**	**38,616**	**294,577**
	2019	190,062	30,000	17,438	7,317	34,180	278,997
Total remuneration	**2020**	**856,740**	**140,000**	**43,260**	**3,461**	**107,196**	**1,150,657**
	2019	825,631	204,723	60,228	226,674	87,961	1,405,217

1 Represents 100% of cash bonus paid or payable which vested in the year.
2 Other long term benefits comprise changes in long service leave provisions and long service leave paid.
3 Represents the notional value of interest on loans provided to acquire Milton shares under the Senior Staff Share Plan.
4 B.J. O'Dea appointed the CEO and Managing Director on 1 August 2018 upon retirement of Mr F.G. Gooch.

The relative proportions of total remuneration of above key management personnel that are fixed or related to performance are as follows:

	Fixed remuneration		Performance-related STI		Performance-related LTI	
	2020	2019	**2020**	2019	**2020**	2019
B.J. O'Dea	**78.8%**	78.1%	**13.1%**	16.4%	**8.1%**	5.5%
F.G. Gooch	**–**	83.1%	**–**	13.7%	**–**	3.2%
D.N. Seneviratne	**77.6%**	77.0%	**9.3%**	10.8%	**13.1%**	12.2%

There are no fixed term employment contracts between Milton and its employees. Employment may be terminated with four weeks' notice by either Milton or the employee. There are contractual provisions for any termination payments other than for unpaid annual and long service leave.

Share based compensation, Senior Staff Share Plan equity holdings and loans

The movements during the reporting period are as follows:

Executives' shareholdings in relation to the Senior Staff Share Plan – Number of shares held

		Opening Balance Shares	Received as Remuneration Shares	Closing Balance Shares
B.J. O'Dea Managing Director	**2020**	**200,000**	**100,000**	**300,000**
	2019	–	200,000	200,000
F.G. Gooch Former Managing Director	**2020**	**–**	**–**	**–**
	2019	1,005,000	–	–
D.N. Seneviratne CFO, secretary	**2020**	**177,500**	**25,000**	**202,500**
	2019	152,500	25,000	177,500

Loans in relation to the Senior Staff Share Plan

Details regarding loans outstanding at the reporting date to specified directors and specified executives, are as follows:

		Opening Balance $	Net change $	Closing balance $	Highest balance in the year $	Notional Interest[1] $
B.J. O'Dea Managing Director	**2020**	**915,186**	**437,541**	**1,352,727**	**1,396,793**	**68,580**
	2019	–	915,186	915,186	932,600	42,490
F.G. Gooch Former Managing Director	**2020**	**–**	**–**	**–**	**–**	**–**
	2019	2,556,592	(2,556,592)	–	2,556,592	11,291
D.N. Seneviratne CFO, secretary	**2020**	**652,313**	**90,658**	**742,971**	**772,715**	**38,616**
	2019	562,971	89,342	652,313	679,546	34,180

1 The notional interest has been included under "Share Based Payment" in the remuneration of the managing director and the executive disclosed on page 16. Notional interest is based on the applicable FBT benchmark interest rate, which for the year averaged 5.20% (2019: 5.24%).

Apart from the loan balances shown above, there were no loans outstanding to key management personnel. Terms and conditions of the loans are referred to in note 18b to the financial statements.

Remuneration Report
continued

Share holdings of key management personnel and their related parties – Number of shares held

		Opening Balance Shares	Received as Remuneration Shares	Other Acquisitions Shares	Closing Balance Shares
B.J. O'Dea Managing Director	**2020**	**252,141**	**100,000**	**36,251**	**388,392**
	2019	50,000	200,000	2,141	252,141
F.G. Gooch Former Managing Director	**2020**	**–**	**–**	**–**	**–**
	2019	1,310,110	–	–	–
D.N. Seneviratne CFO, secretary	**2020**	**178,907**	**25,000**	**–**	**203,907**
	2019	153,907	25,000	–	178,907

Signed in accordance with a resolution of the directors.

R.D. MILLNER
Chairman

Sydney, 6 August 2020

Auditor's Independence Declaration

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Postal Address
GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

Auditor's Independence Declaration to the Directors of Milton Corporation Limited ABN 18 000 041 421

I declare that to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

i) the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii) APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

This declaration is in respect of Milton Corporation Limited and the entities it controlled during the year.

S.S. Wallace
Partner

6 August 2020

Milton Corporation Foundation
ABN 95 051 921 133

The Foundation was established in 1988 to support charitable organisations, particularly those which direct assistance to persons that are disadvantaged in the community.

The objective is to create a vehicle with sufficient capital that can make regular meaningful donations from the earnings derived from its investments. Contributions from Milton, shareholders and others over the years have helped to grow the Foundation's total assets at 30 June 2020 to $2.0 million.

Milton Foundation's assets can now support annual distributions of over $100,000. In 2020, a total of $120,000 was distributed to fifteen organisations, which provide much needed support for the disadvantaged in society in Australia.

The Foundation has provided $2.48 million of assistance to the community since its establishment.

Shareholders can support the Foundation by either:

Forwarding a cheque to:

The Trustees
Milton Corporation Foundation
PO Box R1836
Royal Exchange NSW 1225

or

Direct deposit into the bank account:

Account Name: Milton Corporation Foundation
BSB: 082-067
Account No: 038263869

The Foundation is a deductible gift recipient registered with the Australian Charities and Not-for-profits Commission (ACNC) and donations of $2 or more are tax deductible.

J.F. CHURCH
Chairman of Trustees

Sydney, 6 August 2020

Financial Statements
Contents

Consolidated Income Statement
for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Ordinary dividends and distributions	1a	**117,210**	138,070
Interest	1c	**1,478**	2,629
Net gains on trading portfolio	1d	**789**	169
Other revenue		**661**	551
Operating Revenue		**120,138**	141,419
Share of net profits of joint ventures – equity accounted	8a	**888**	1,504
Special dividends and distributions	1b	**5,761**	14,115
Income from operating activities		**126,787**	157,038
Administration expenses		**(4,528)**	(4,220)
Acquisition related costs of subsidiaries		**–**	(124)
Profit before income tax expense		**122,259**	152,694
Income tax expense thereon	2a	**(5,302)**	(5,042)
Profit attributable to shareholders of Milton		**116,957**	147,652

	Note	2020 Cents	2019 Cents
Basic and diluted earnings per share	3	**17.45**	22.19

The Consolidated Income Statement is to be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2020

	2020 $'000	2019 $'000
Profit	**116,957**	147,652
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Revaluation of investments	**(427,178)**	123,000
Provision for tax benefit (expense) on revaluation of investments	**127,171**	(37,458)
Other comprehensive income, net of tax	**(300,007)**	85,542
Total comprehensive income for the year attributable to the shareholders of Milton	**(183,050)**	233,194

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position
as at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash	9	**114,069**	110,306
Receivables	10a	**10,938**	15,187
Prepayments		**410**	275
Total current assets		**125,417**	125,768
Non-current assets			
Investments	7	**2,706,159**	3,141,236
Joint ventures – equity accounted	8b	**24,709**	23,125
Receivables		**4,117**	3,431
Property, plant and equipment		**5,376**	37
Deferred tax assets	2c	**292**	294
Total non-current assets		**2,740,653**	3,168,123
Total assets		**2,866,070**	3,293,891
Current liabilities			
Payables		**1,456**	1,182
Current tax liabilities		**782**	280
Provisions		**66**	68
Total current liabilities		**2,304**	1,530
Non-current liabilities			
Deferred tax liabilities	2d	**289,725**	416,657
Provisions		**274**	258
Total non-current liabilities		**289,999**	416,915
Total liabilities		**292,303**	418,445
Net assets		**2,573,767**	2,875,446
Shareholders' equity			
Issued capital	11	**1,644,321**	1,633,055
Capital profits reserve	12b	**74,263**	66,148
Asset revaluation reserve	12a	**661,034**	969,156
Retained profits		**194,149**	207,087
Total equity attributable to shareholders of Milton		**2,573,767**	2,875,446

The Consolidated Statement of Financial Position is to be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2020

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	**1,633,055**	**66,148**	**969,156**	**207,087**	**2,875,446**
Profit	–	–	–	116,957	116,957
Other comprehensive income	–	–	(300,007)	–	(300,007)
Total comprehensive income	–	–	(300,007)	116,957	(183,050)
Net realised gains	–	8,115	(8,115)	–	–
Transactions with shareholders:					
Share issues	11,266	–	–	–	11,266
Dividends paid	–	–	–	(129,895)	(129,895)
Balance at 30 June 2020	**1,644,321**	**74,263**	**661,034**	**194,149**	**2,573,767**

	Issued capital $'000	Capital profits reserve $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	1,582,431	51,651	898,111	203,137	2,735,330
Profit	–	–	–	147,652	147,652
Other comprehensive income	–	–	85,542	–	85,542
Total comprehensive income	–	–	85,542	147,652	233,194
Net realised gains	–	14,497	(14,497)	–	–
Transactions with shareholders:					
Share issues	50,624	–	–	–	50,624
Dividends paid	–	–	–	(143,702)	(143,702)
Balance at 30 June 2019	1,633,055	66,148	969,156	207,087	2,875,446

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Dividends and distributions received		**126,106**	162,171
Interest received		**1,564**	2,818
Distributions received from joint venture entities		**967**	2,500
Other receipts in the course of operations		**959**	465
Proceeds from sales of trading securities		**7,317**	169
Payments for trading securities		**(6,528)**	–
Other payments in the course of operations		**(4,740)**	(4,557)
Income taxes paid		**(4,549)**	(4,637)
Net cash provided by operating activities	22a	**121,096**	158,929
Cash flows from investing activities			
Proceeds from disposal of investments	7c	**276,270**	44,168
Proceeds from redemption of other financial assets		**1,465**	1,153
Payments for investments in equities and trusts		**(268,670)**	(96,674)
Payments for investments in joint ventures		**(1,663)**	(2,731)
Payments for acquisition related costs of subsidiaries		**–**	(124)
Cash on acquisition of subsidiaries		**–**	5,016
Payments for property, plant and equipment		**(5,377)**	(2)
Loans repaid by other entities		**324**	3,177
Loans advanced to other entities		**(1,043)**	(1,258)
Net cash provided by (used in) investing activities		**1,306**	(47,275)
Cash flows from financing activities			
Payments for share issue costs		**(32)**	(90)
Ordinary dividends paid	4a	**(118,607)**	(133,073)
Net cash used in financing activities		**(118,639)**	(133,163)
Net increase (decrease) in cash assets held		**3,763**	(21,509)
Cash assets at the beginning of the year		**110,306**	131,815
Cash assets at the end of the year	9	**114,069**	110,306

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2020

Key Numbers

1. Revenue

Milton's revenue is derived from dividends, distributions, interest income, profit from joint ventures and net gains arising from the trading portfolio.

	2020 $'000	2019 $'000
a. Ordinary dividends and distributions		
Milton receives ordinary dividend income and trust distributions from its long term investments in companies and trusts listed on the Australian Securities Exchange.		
Investments held in portfolio at 30 June	**106,797**	137,059
Investments sold during the year	**10,413**	1,011
	117,210	138,070
b. Special dividends and distributions		
This special investment revenue is received on an ad hoc basis and cannot be relied upon each year.		
Investments held in portfolio at 30 June	**5,761**	14,111
Investments sold during the year	**–**	4
	5,761	14,115

Dividends and distributions are brought to account on the dates that the securities trade ex-dividend.

Demerger dividends arising from company de-consolidations are treated as a return of capital and not as a dividend.

	2020 $'000	2019 $'000
c. Interest		
Milton earns interest on its cash, term deposits and other liquid assets.		
Interest from deposits and cash	**1,478**	2,629
	1,478	2,629

Interest on cash and term deposits is brought to account on an accruals basis. Interest on other liquid securities is recognised on the date these securities trade ex-dividend.

	2020 $'000	2019 $'000
d. Net gains from trading portfolio		
Net gains from trading portfolio	**789**	169

Trading securities are recognised initially at cost and subsequently measured at fair value. Changes in fair value are taken directly through the income statement.

Dividends from trading securities are brought to account on the dates the securities trade ex-dividend.

Notes to the Consolidated Financial Statements
continued

Key Numbers

2. Tax

This note provides analysis of Milton's income tax expense, shows amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. The note also details the deferred tax assets and liability balances and their movements.

	2020 $'000	2019 $'000
a. Reconciliation of Income Tax Expense to prima facie tax payable		
Profit before income tax	**122,259**	152,694
Prima facie income tax expense calculated at 30% on the profit before income tax expense	**36,678**	45,808
Increase (decrease) in income tax expense due to:		
Tax offset for franked dividends	**(30,823)**	(40,392)
(Over) provision in prior year	**(792)**	(804)
Other differences	**239**	430
Income tax expense on profit	**5,302**	5,042
b. Tax expense composition		
Current tax on profits for the year	**5,857**	5,358
(Over) provision in prior year	**(792)**	(804)
Decrease in deferred tax assets (note 2c)	**(2)**	58
Increase in deferred tax liabilities (note 2d)	**239**	430
	5,302	5,042
c. Deferred tax assets		
The balance comprises temporary differences attributable to:		
Provisions	**279**	274
Share issue expenses	**–**	4
Other	**13**	16
Total deferred tax assets	**292**	294
Movements:		
Balance at 1 July	**294**	360
Credited (charged) to the income statement	**2**	(58)
(Charged) to equity	**(4)**	(8)
Balance at 30 June	**292**	294
To be recovered within 12 months	**39**	42
To be recovered after more than 12 months	**253**	252
	292	294

	2020 $'000	2019 $'000
d. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised directly in equity:		
Revaluation of investments	**289,876**	423,999
Realised capital losses	**(16,529)**	(23,800)
Amounts recognised in profit:		
Gains on scrip for scrip rollovers	**16,045**	16,043
Income receivable which is not assessable for tax until receipt	**333**	415
	289,725	416,657
Movements:		
Balance at 1 July	**416,657**	378,769
Charged to income statement	**239**	430
(Credited) charged to other comprehensive income	**(127,171)**	37,458
Balance at 30 June	**289,725**	416,657
To be settled beyond 12 months	**289,725**	416,657

The income tax expense for the year is the tax payable on the current year's taxable income based on the current income tax rate applicable for the year adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and any unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Milton Corporation Limited (the parent entity) and its wholly-owned subsidiaries have formed an income tax consolidated group. Each entity in the group recognises its own current and deferred tax, except for any deferred tax assets arising from unused tax losses from subsidiaries, which are immediately assumed by the parent entity. The current tax liability of each group entity is subsequently assumed by the parent entity. There is no tax funding agreement between Milton Corporation Limited and its subsidiaries.

Deferred tax balances attributable to revaluation amounts are recognised directly in equity through the asset revaluation reserve.

e. Offsetting deferred tax balances:

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Deferred tax assets from realised capital losses are offset against deferred tax liabilities from unrealised capital gains.

Deferred tax liabilities have been recognised for capital gains tax on the unrealised gains in the investment portfolio at current tax rates. As Milton does not intend to dispose of the investment portfolio this tax may not be payable at the amount disclosed in Note 2d above. Any tax liability that may arise on disposal of investments is subject to tax legislation relating to the treatment of capital gains and the applicable tax rate at the time of disposal.

Notes to the Consolidated Financial Statements
continued

Key Numbers

2. Tax (continued)

Deferred tax assets relating to carried forward capital losses have been recognised based on current tax rates. Utilisation of the tax losses requires the realisation of capital gains in subsequent years and the ability to satisfy certain tests at the time the losses are recouped. The deferred tax assets related to carried forward capital losses have been offset against the related deferred tax liabilities as disclosed in Note 2d.

3. Earnings Per Share

	2020 Cents	**2019** Cents
Basic earnings per share	**17.45**	22.19
	$'000	$'000
Profit attributable to shareholders of the parent entity	**116,957**	147,652
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**670,366,099**	665,320,270

Diluted earnings per share and basic earnings per share are the same because there are no potential dilutive ordinary shares.

4. Dividends Paid

	2020 $'000	**2019** $'000
a. Recognised in the current year		
An ordinary final dividend of 10.4 cents per share in respect of the 2019 financial year paid on 3 September 2019 (2019: Ordinary final dividend of 10.2 cents per share paid on 4 September 2018)	**69,572**	67,133
An ordinary interim dividend of 9.0 cents per share paid on 5 March 2020 (2019: 9.0 cents per share paid on 5 March 2019)	**60,323**	59,844
No special dividend was paid (2019: Special dividend of 2.5 cents per share paid on 30 April 2019)	**–**	16,725
	129,895	143,702
Dividends paid in cash	**118,607**	133,073
Dividends reinvested in shares	**11,288**	10,629
	129,895	143,702

	2020 $'000	2019 $'000
b. Not recognised in the current year Since the end of the financial year, the directors declared an ordinary final dividend in respect of the 2020 year of 8.5 cents per share payable on 2 September 2020 (2019: ordinary final dividend of 10.4 cents per share paid on 3 September 2019)	**57,063**	69,572

5. Dividend Franking Account

	2020 $'000	2019 $'000
The amount of franking credits available to shareholders for the subsequent financial year, adjusted for franking credits that will arise from the payment of the current tax liability	**122,864**	128,692
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 2 September 2020 (2019: final dividend paid on 3 September 2019)	**(24,455)**	(29,817)
	98,409	98,875

The franking account balance would allow Milton to frank additional dividend payments up to an amount of $229,621,193 (2019: $230,709,861) which represents 34 cents per share (2019: 34 cents per share).

6. Listed Investment Company capital gains account

	2020 $'000	2019 $'000
Balance of the Listed Investment Company (LIC) capital gain account available to shareholders for the subsequent financial year	**1,655**	1,481

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their income tax return. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings, which qualify for LIC capital gains and the receipt of LIC capital gain distributions.

Notes to the Consolidated Financial Statements
continued

Assets

7. Investment in equity instruments

Milton is predominantly a long term investor in companies and trusts listed on the Australian Securities Exchange.

	2020 $'000	2019 $'000
Investments – non-current		
Quoted investments – at fair value	**2,705,785**	3,140,850
Unquoted investments – at fair value	**374**	386
	2,706,159	3,141,236
a. Included in quoted investments are:		
Shares in other corporations	**2,476,375**	2,927,525
Stapled securities in other corporations	**229,410**	213,325
	2,705,785	3,140,850
b. Included in unquoted investments are:		
Units in trusts	**374**	386

Investments are recognised initially at cost and Milton has made an irrevocable election to present subsequent changes in fair value of equity instruments in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity instruments.

Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange at the measurement date. Use of unadjusted last sale price in an active market such as the Australian Securities Exchange falls within the Level 1 fair value hierarchy of measuring fair value under AASB 13.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

	2020 $'000	2019 $'000
c. Investments disposed of during the year		
The disposals occurred in the normal course of Milton's operations as a listed investment company or as a result of takeovers or mergers.		
Fair value at disposal date		
Equity investments	**276,270**	44,168
Gains on disposal after tax		
Equity investments	**8,115**	14,497

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the asset revaluation reserve to the capital profits reserve as disclosed in Note 12.

8. Investment in joint venture entities

Milton has a long history of investing in property development joint ventures. Wholly owned subsidiaries of Milton have investments in separate joint venture entities that have non-controlling interests in three property development joint venture partnerships.

	2020 $'000	2019 $'000
a. Contribution from joint venture entities		
Milton has interests in the following joint venture entities:		
33.33% interest in the Ellenbrook Syndicate Joint Venture contribution to operating profit before tax (2019: 33.33%)	**1,213**	1,561
23.33% interest in The Mews Joint Venture contribution to operating profit before tax (2019: 23.33%)	**85**	74
50% interest in the LWP Huntlee Syndicate No 2 Joint Venture (2019: 50%)	**(410)**	(131)
Share of net profits of joint ventures	**888**	1,504
b. Consolidated interest in the assets and liabilities of the joint venture entities		
Current assets	**12,612**	14,741
Non-current assets	**19,310**	19,968
Current liabilities	**(2,696)**	(3,333)
Non-current liabilities	**(3,974)**	(7,708)
	25,252	23,668
Provision for diminution in value	**(543)**	(543)
Net assets	**24,709**	23,125

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures based on rights and obligations arising from the joint arrangement rather than the legal structure of the joint arrangement.

Each joint venture partnership agreement provides that partners have rights to the net assets of the partnership. Accordingly, Milton has assessed the nature of its joint arrangements and determined that all current interests are joint ventures and thus accounted for using the 'Equity Method'.

Under the 'Equity Method', Milton's investments in joint ventures are valued initially at cost and periodically adjusted for changes in value due to Milton's share in the joint ventures' income or losses, distributions and any call payments.

8. Investment in joint venture entities (continued)

c. Contingencies and capital commitments

Guarantee facility by parent company

Milton agreed to provide a guarantee subject to a maximum of $10 million to Bankwest to support a repayment of a principal amount on a loan payable on 30 June 2022 (or on a later agreed date) by a joint venture in which LWP Huntlee Syndicate No 2 has a 23.75% interest. This guarantee facility replaced Milton's previous interest servicing guarantee facility of $10 million to the joint venture, which was cancelled on 8 April 2020.

This facility, which is on commercial terms, is secured by a second ranking mortgage over the real property of the joint venture as well as guarantees provided by other related entities of the joint venture. As at 30 June 2020 Milton's contingent liability amounted to $10 million (30 June 2019: $10 million on the previous interest servicing guarantee facility).

Other than the above, the directors are not aware of any material contingent liabilities, contingent assets or capital commitments as at 30 June 2020.

9. Cash

	2020 $'000	2019 $'000
Cash at bank	**6,034**	3,612
Deposits at call	**38,035**	24,694
Term deposits	**70,000**	82,000
	114,069	110,306

The weighted average interest rate for cash and deposits at call as at 30 June 2020 is 0.2% p.a. (2019: 1.4% p.a.). The weighted average interest rate of term deposits as at 30 June 2020 is 1.4% (2019: 2.1%) with an average term of 4.5 months (2019: 4.5 months).

10. Receivables

	2020 $'000	2019 $'000
a. Receivables – current		
Dividends receivable	**10,523**	14,822
Interest receivable	**258**	344
Sundry debtors	**157**	21
	10,938	15,187

b. Terms and conditions

Sundry debtors are due within 30 days and no interest is charged.

11. Share capital

Milton may offer shareholders the opportunity to increase their holdings by participation in the Share Purchase Plan and in the Dividend Reinvestment Plan. Milton may also increase its capital through renounceable rights issues and acquisition of investment companies with the consideration being the issue of Milton shares.

All capital consists of fully paid ordinary shares which are listed on the ASX and carry one vote per share and equal rights to receive dividends.

Movement in share capital	2020 No. of Shares	2020 $'000	2019 No. of Shares	2019 $'000
Opening balance	668,963,092	1,633,055	658,170,815	1,582,431
Acquisition of unlisted investment companies	–	–	8,444,554	40,060
Dividend Reinvestment Plan[1]	2,363,305	11,288	2,347,723	10,627
Less: Transaction costs (net of tax)	–	(22)	–	(63)
Closing balance	671,326,397	1,644,321	668,963,092	1,633,055

1 Milton's Dividend Reinvestment Plan (DRP) offers shareholders the option to reinvest all or part of their dividend in new ordinary shares. In the 2020 financial year, Milton issued 1,288,011 new shares in September 2019 and 1,075,294 new shares in March 2020 under the DRP (2019:1,188,729 issued in September 2018 and 1,158,994 issued in March 2019).

12. Reserves

Nature and purpose of reserves

Changes in fair value of investments are presented in other comprehensive income through the asset revaluation reserve as referred to in Note 7. Upon disposal of long-term investments, the realised gain or loss, net of any tax expense or benefit, is transferred from the asset revaluation reserve and recorded in the capital profits reserve.

	2020 $'000	2019 $'000
a. Asset revaluation reserve		
Opening balance	969,156	898,111
Revaluation of investments net of provision for tax	(300,007)	85,542
Net realised gains	(8,115)	(14,497)
	661,034	969,156
b. Capital profits reserve		
Opening balance	66,148	51,651
Net realised gains	8,115	14,497
	74,263	66,148

Notes to the Consolidated Financial Statements
continued

Risk

This section of the notes discusses Milton's exposure to various risks and shows how these could affect Milton's financial position and performance.

13. Critical accounting estimates, judgements and assumptions

Judgements, estimates and assumptions are required to prepare financial statements.

Apart from the items mentioned below, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Deferred tax liabilities from unrealised capital gains are offset against deferred tax assets from realised capital losses as disclosed in Note 2e.

ii) Classification of joint arrangements as joint ventures as disclosed in Note 8.

14. Management of financial risk

The risks associated with the financial instruments, such as investments and cash, include credit, market and liquidity risks which could affect Milton's future financial performance.

The Board has approved policies and procedures to manage these risks. The effectiveness of these policies and procedures is continually reviewed by management and annually by the Audit & Risk Committee.

a. Credit risk exposures

Milton's principal credit risk exposures arise from the investment in liquid assets, such as cash, bank term deposits and income receivable.

The risk that financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk. The credit risk on Milton's financial assets, excluding investments, is the carrying amount of those assets.

Individual bank limits have been approved by the board for the investment of cash.

Income receivable comprises accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue.

All financial assets and their recoverability are continuously monitored by management and reviewed by the board on a quarterly basis.

b. Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument. The fair value of the quoted investments is determined by the unadjusted last sale price quoted on the Australian Securities Exchange at the measurement date.

Milton is exposed to market risk through the movement of the security prices of the companies and trusts in which it is invested.

The market value of individual companies fluctuates daily and the fair value of the portfolio changes continuously, with this change in the fair value recognised through the asset revaluation reserve.

Investments represent 94% (2019: 95%) of total assets. A 5% movement in the market value of investments in each of the companies and trusts within the portfolio would result in a 4.7% (2019: 4.8%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2020. The net asset backing before provision for tax on unrealised capital gains would move by 20 cents per share at 30 June 2020 (2019: 23 cents at 30 June 2019).

Milton's management continuously monitors the performance of the companies within its portfolio and makes portfolio recommendations which are considered by the Investment Committee. The Milton board reviews the portfolio on a quarterly basis.

Milton is not directly exposed to foreign currency risk as all its investments are quoted in Australian dollars.

The fair value of Milton's other financial instruments are unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and variable interest rates.

c. Liquidity risk

Liquidity risk is the risk that Milton is unable to meet its financial obligations as they fall due.

Milton manages liquidity risk by monitoring forecast and actual cashflows. All accounts payable are due and payable within 12 months.

15. Capital risk management

The parent entity invests its equity in a diversified portfolio of assets with the objective of generating a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital may be increased through the issue of shares under the Share Purchase Plan and the Dividend Reinvestment Plan. Shares may also be issued through renounceable rights issues and as consideration for acquisition of other investment companies.

16. Subsidiaries

Investments in subsidiaries are carried at net asset value which approximates fair value of the controlled entities.

Income from dividends is brought to account when they are declared.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

a. Basis of Consolidation

The consolidated financial statements include the financial statements of Milton being the parent entity and its subsidiaries. The balances and effects of transactions between subsidiaries included in the consolidated financial statements have been eliminated in full.

Where entities have come under the control of the parent entity during the year, their operating results have been included in the group from the date control was obtained. Entities cease to be consolidated from the date on which control is transferred out of the group and the consolidated financial statements include the result for the part of the reporting period during which the parent entity had control.

b. Milton Corporation Limited's subsidiaries

The following subsidiaries have been included in the consolidated accounts. The parent entity and all subsidiaries are incorporated in Australia:

Percentage of Interest held	**2020** %	2019 %
85 Spring Street Properties Pty Ltd	**100**	100
Chatham Investment Co. Pty Limited	**100**	100
Incorporated Nominees Pty Limited	**100**	100
Milhunt Pty Limited	**100**	100
ACN007531240 Pty Limited	**100**	100
Kembar Pty Limited	**–**	100

c. Acquisition and disposal of subsidiaries

No acquisitions during the year. Unlisted investment company Kembar Pty Limited acquired in February 2019 was placed into voluntary liquidation during the year and deregistered in April 2020.

(2019: Milton acquired 100% of the shares of two unlisted investment companies for a total consideration of 8,444,554 new Milton shares with a fair value of $40,059,629).

d. Business Combinations

The acquisition method of accounting has been used to account for all business combinations. The business combinations have been accounted from the date Milton attained control of the subsidiaries. The considerations transferred for the acquisitions comprise the fair values of the identifiable assets transferred and the liabilities assumed.

Costs related to the acquisitions, other than those associated with the issue of equity securities, are expensed to the consolidated income statement as incurred.

17. Related party transactions

	2020 $'000	2019 $'000
a. Directors and Key Management Personnel compensation		
Short-term benefits	**1,414**	1,436
Other long-term benefits	**4**	227
Post-employment benefits	**101**	118
Share-based payments	**107**	88
	1,626	1,869

Information regarding individual directors' and executives' compensation and equity instruments disclosures, as permitted by Corporations Regulations 2M.3.03, are provided in the Remuneration Report section of the Directors' Report on pages 12 to 18.

b. Shareholdings of non–executive directors and their related parties – number of shares held

Non-executive directors and their related parties held 5.6% (2019: 5.6%) of the voting power of Milton as at year end. All shares acquired by non-executive directors and their related parties during the year were purchased on an arm's length basis. Movements in the number of shares held are given below. There were no amounts outstanding from or due to any non-executive director or their related parties as at 30 June 2020.

	2020 No of shares	2019 No of shares
Number of shares at beginning of the year	**37,397,579**	40,387,579
Acquired during the year	**444,516**	10,000
Disposed of during the year	**–**	(3,000,000)
Number of shares held at end of year	**37,842,095**	37,397,579

c. Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management are as shown below.
No loans were granted to related parties of any key management personnel.

	2020 $	2019 $
Balance at beginning of the year	**1,567,499**	3,119,563
Loans advanced	**602,009**	1,049,175
Loans repaid	**(73,810)**	(2,601,239)
Balance at end of the year	**2,095,698**	1,567,499
Notional interest	107,196	87,961

17. Related party transactions (continued)

Notional interest is based on the applicable FBT benchmark interest rate for the year which averaged 5.20% (2019: 5.24%).

The loans are advanced to key management personnel in accordance with the Senior Staff Share Plan (SSSP) as disclosed in Note 18b. Loans to individual key management personnel are disclosed in the remuneration report on page 17.

d. Other related party transactions

All directors have entered into the Deed of Indemnity, Insurance and Access that was approved at the Annual General Meeting held on 10 October 2000. Milton has a Remuneration and Retirement Benefits Deed with Mr R.D. Millner and Dr I.A. Pollard. During the 30 June 2004 year, Milton and the directors varied the Remuneration and Retirement Benefits Deed, whereby the maximum retirement benefit payable to a non–executive director on retirement will be the provision for the director as at 30 June 2003. Apart from the details disclosed in this note no director has entered into a material contract with the parent entity or Milton since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at the end of the year.

e. Loans to and from subsidiaries

Loans have been made between the parent entity and wholly owned subsidiaries for capital transactions. The loans between the parent and its subsidiaries have no fixed date of repayment and are non–interest bearing.

	2020 $	2019 $
Amounts owed (to) by subsidiaries at beginning of the year	**(12,959,503)**	27,034,039
Loans advanced from subsidiaries	**(967,649)**	(43,002,055)
Loans advanced to subsidiaries	**15,666,212**	3,008,513
Amounts owed by (to) subsidiaries at end of the year	**1,739,060**	(12,959,503)

18. Share based payments

Under the Employee Share Plan, shares are acquired for employees as part of their remuneration and the cost of the shares is recorded under employment costs.

Under the Senior Staff Share Plan, shares are acquired for eligible employees as part of their remuneration and held on their behalf by the trustee of the Plan. The purchase of the Plan Shares is financed by a loan from Milton.

a. Employee Share Plan

The Employee Share Plan ("ESP") is available to all eligible employees to acquire ordinary shares in Milton in lieu of a cash bonus of up to $1,000 per year as part of the employee's remuneration. The transaction and administration costs of acquiring the shares and administering the plan are paid by Milton.

During the year 414 shares (2019:422 shares) were acquired by Milton on behalf of eligible employees under the ESP at a cost of $2,088 (2019: $2,084) with a total market value at 30 June 2020 of $1,693. Any shares acquired cannot be disposed of or transferred until the earlier of 3 years from the date of issue or acquisition or on the date that the employee's employment ceases with Milton.

b. Senior Staff Share Plan

The Senior Staff Share Plan ("SSSP") was approved by shareholders at Milton's Annual General Meeting on 9 October 2001. Eligible employees are given the opportunity to apply for Plan Shares in Milton which are subscribed for or acquired and held on their behalf by the trustee of the plan. The purchase of these Plan Shares is financed by an interest–free limited recourse loan from Milton with recourse only to Plan Shares. The loan will be repaid partially from any dividends received. Milton administers the SSSP and meets the transactional and administration costs.

During the year 210,000 shares (2019: 310,000 shares) were acquired by the trustee of the plan on behalf of eligible employees under the SSSP at a cost of $1,011,375 (2019: $1,445,530). The shares acquired by the trustee during the year had a market value of $858,900 at $4.09 per share as at 30 June 2020. The SSSP loan receivable balance from eligible employees as at 30 June 2020 was $4,117,515 (2019: $3,430,474).

Any shares acquired are held in the name of the trustee and classified as Restricted Shares which cannot become Unrestricted Shares until the earlier of 3 years from the date of issue to the trustee or acquisition by the trustee or on the date that the employee's employment ceases with Milton. The trustee may transfer Unrestricted Shares to the participant provided that any outstanding loan has been repaid in full.

19. Auditors Remuneration

	2020 $'000	**2019** $'000
Auditors of the company		
Audit and review services	**119**	115
Related practice of the auditor		
Agreed upon procedures	**–**	43
Other services	**7**	9
	126	167

Notes to the Consolidated Financial Statements
continued

Other Information

20. Parent entity disclosures

In accordance with the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the *Corporations Act 2001* the following summarised parent entity information is set out below.

As at 30 June 2020, and throughout, the financial year ended 30 June 2020 the parent entity was Milton Corporation Limited.

	2020 $'000	2019 $'000
Profit of the parent entity		
Profit for the year	**116,252**	146,560
Total comprehensive income for the year	**(183,050)**	232,741
Financial position of the parent entity as at 30 June		
Current assets	**125,394**	126,015
Non-current assets	**2,743,474**	3,183,538
Total assets	**2,868,868**	3,309,553
Current liabilities	**(2,580)**	(1,251)
Non-current liabilities	**(292,521)**	(432,856)
Total liabilities	**(295,101)**	(434,107)
Net assets	**2,573,767**	2,875,446
Total equity of the parent entity comprising		
Issued capital	**1,644,321**	1,633,055
Capital profits reserves	**82,848**	74,733
Asset revaluation reserve	**716,713**	1,024,131
Retained profits	**129,885**	143,527
Total equity attributable to shareholders of the parent entity	**2,573,767**	2,875,446

21. Summary of other accounting policies

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and complies with International Financial Reporting Standards (IFRS).

Accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity ("Milton") consisting of Milton Corporation Limited and its subsidiaries. Milton is a 'for–profit' entity.

These financial statements have been prepared on an accruals basis and are based on the historical cost basis except as modified by the revaluation of certain financial assets and liabilities measured at fair value.

New and amended standards adopted:

AASB 16 *Leases* is applicable to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 *Leases*. For lessees it will eliminate the classifications of operating leases and finance leases. This does not have a material impact on the financial statements of Milton.

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

New and amended standards not adopted:

New standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 Jan 2020 have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of Milton.

b. Rounding of amounts

Unless otherwise stated under the option available in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

c. Operating segments

The consolidated entity operates in Australia and engages in investment as its principal activity. As such Milton considers the business to have a single operating segment.

21. Summary of other accounting policies (continued)

d. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Milton consolidated group, and that the cost of the item can be measured reliably.

All other repairs and maintenance costs are charged to the income statement during the reporting period in which they are incurred.

The depreciable amount of all fixed assets including building, but excluding freehold land, is depreciated commencing from the time the asset is held ready for use. Depreciating is calculated on straight line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Building	40 years
Plant and equipment	2–15 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals determined by comparing proceeds with carrying amounts are included in the income statement.

22. Cash flow information

	2020 $'000	2019 $'000
a. Reconciliation of net profit to net cash provided by operating activities		
Net profit	**116,957**	147,652
Share of net profits of joint ventures – equity accounted	**(888)**	(1,504)
Distributions received from joint venture entities	**967**	2,500
Acquisition related costs of subsidiaries	**–**	124
Depreciation of non-current assets	**37**	35
Decrease (Increase) in receivables	**3,522**	10,176
(Decrease) increase in payables and provisions	**(274)**	(287)
Increase in income taxes payable	**753**	405
Increase (decrease) in provisions	**22**	(172)
Net cash provided by operating activities	**121,096**	158,929

b. Non–cash financing and investing activities

No material non-cash investing activities were carried out during the year ended 30 June 2020 (2019: Milton acquired two unlisted investment companies through the issue of 8,444,554 new Milton shares with a total fair value of $40,059,629).

23. Contingent liabilities

Apart from the contingent liability relating to the interest servicing guarantee facility of $10 million provided on behalf of LWP Huntlee Syndicate No.2 joint venture as disclosed in Note 8c, the directors are not aware of any other material contingent liabilities.

24. Events subsequent to reporting date

Since the end of the financial year, the directors declared a fully franked ordinary final dividend of 8.5 cents per share payable on 2 September 2020.

This financial report was authorised for issue in accordance with a resolution of directors on 6 August 2020.
The directors have the power to amend and reissue the financial statements.

Notes to the Consolidated Financial Statements
continued

Holdings

25. Holdings at Fair Value through Other Comprehensive Income at 30 June 2020

The following holdings are valued at fair value through Other Comprehensive Income.

	2020		2019	
	Holding	Market value	Holding	Market value
Investments in equity instruments	Shares	$'000	Shares	$'000
Adelaide Brighton Ltd.	–	–	2,978,554	12,033
AGL Energy Ltd.	3,570,141	60,871	3,570,141	71,439
ALS Ltd.	6,079,431	39,881	6,079,431	44,623
Altium Ltd.	318,500	10,345	178,500	6,105
Amcor PLC	2,433,512	35,237	1,566,512	25,362
Ampol Ltd.	394,000	11,552	394,000	9,752
A.P. Eagers Ltd.	6,795,986	45,873	5,833,107	57,164
APA Group	2,077,766	23,126	2,077,766	22,440
ARB Corporation Ltd.	911,065	16,354	911,065	16,581
Argo Investments Ltd.	1,880,841	13,523	1,880,841	15,272
ASX Ltd.	548,965	46,871	548,965	45,218
AUB Group Ltd.	1,292,991	19,007	1,292,991	13,499
Australia & New Zealand Banking Group Ltd.	–	–	3,452,751	97,402
Australian Foundation Investment Company Ltd.	470,513	2,865	922,398	5,765
Auswide Bank Ltd.	–	–	228,557	1,172
Automotive Holdings Group Ltd.	–	–	3,466,366	9,706
Bank of Queensland Ltd.	–	–	7,306,078	69,627
Bendigo & Adelaide Bank Ltd.	–	–	5,709,708	66,118
BHP Group Ltd.	4,854,921	173,903	4,098,921	168,712
BKI Investment Company Ltd.	1,223,866	1,695	1,223,866	1,921
Blackmores Ltd.	–	–	368,664	33,147
Boral Ltd.	–	–	2,089,293	10,697
Brambles Ltd.	1,431,966	15,565	1,431,966	18,444
Brickworks Ltd.	3,234,567	51,203	3,234,567	52,691
Carlton Investments Ltd.	356,778	8,195	356,778	11,274
Carsales.com Ltd.	1,197,000	21,235	1,042,000	14,098
Charter Hall Group	2,556,000	24,768	2,126,000	23,025
Charter Hall Long WALE REIT	5,082,095	21,751	3,364,212	16,855
CIMIC Group Ltd.	845,739	20,399	791,239	35,424
Cleanaway Waste Management	11,250,000	24,750	5,500,000	12,815
Coca–Cola Amatil Ltd.	1,061,584	9,193	1,061,584	10,849
Cochlear Ltd.	33,800	6,386	33,800	6,991
Coles Group Ltd.	2,877,375	49,405	2,877,375	38,413
Commonwealth Bank of Australia	3,140,470	218,011	3,140,470	259,968
Computershare Ltd.	–	–	23,000	373
CSL Ltd.	601,198	172,544	601,198	129,258
Diversified United Investment Ltd.	130,607	552	130,607	569
Dulux Group Ltd.	–	–	1,655,184	15,426
EQT Holdings Ltd.	593,954	14,700	500,697	14,821
Event Hospitality & Entertainment Ltd.	1,010,921	8,502	1,010,921	12,637
Finbar Group Ltd.	3,642,464	2,550	3,642,464	3,060
Flight Centre Travel Group Ltd.	–	–	80,300	3,336

Investments in equity instruments	2020 Holding Shares	2020 Market value $'000	2019 Holding Shares	2019 Market value $'000
Goodman Group	1,690,376	25,102	1,475,376	22,175
Gresham Private Equity Co–Investment Fund	–	–	100,000	23
Insurance Australia Group Ltd.	6,026,948	34,775	5,896,948	48,709
Incitec Pivot Ltd.	–	–	1,663,689	5,673
InvoCare Ltd.	2,050,914	21,494	1,950,914	31,195
IOOF Holdings Ltd.	2,575,014	12,669	2,009,086	10,387
Janus Henderson Group PLC	–	–	229,500	6,952
Johns Lyng Group Ltd.	1,950,000	4,583	–	–
Lendlease Group	972,539	12,030	972,539	12,643
Lindsay Australia Ltd.	13,341,599	4,670	13,341,599	4,603
Link Administration Holdings Ltd.	–	–	27,907	140
Macquarie Group Ltd.	1,625,990	192,842	744,490	93,352
McMillan Shakespeare Ltd.	803,532	7,296	662,538	8,090
Magellan Financial Group Ltd.	25,000	1,450	–	–
National Australia Bank Ltd.	4,868,831	88,710	4,868,831	130,095
New Hope Corporation Ltd.	–	–	1,290,107	3,496
Orica Ltd.	–	–	188,987	3,831
Origin Energy Ltd.	1,580,301	9,229	190,301	1,391
Pendal Group Ltd.	2,116,643	12,636	1,546,643	11,058
Perpetual Ltd.	1,231,982	36,553	1,231,982	52,039
Premier Investments Ltd.	590,321	10,183	590,321	8,955
Pro Medicus Limited	75,000	1,985	–	–
QBE Insurance Group Ltd.	789,375	6,994	1,949,375	23,061
Qube Holdings Ltd.	7,538,951	21,938	6,113,243	18,585
Ramsay Health Care Ltd.	225,283	14,986	225,283	16,274
REA Group Ltd.	92,309	9,958	8,769	842
Reece Ltd.	1,231,657	11,319	1,167,950	11,399
Regis Healthcare Ltd.	–	–	1,856,076	4,881
Rio Tinto Ltd.	669,120	65,547	669,120	69,428
Scentre Group	5,589,474	12,129	5,079,474	19,505
Schaffer Corporation Ltd.	68,999	911	68,999	941
Sims Ltd.	452,368	3,587	452,368	4,913
Sonic Healthcare Ltd.	940,707	28,626	710,707	19,260
Stockland Group	3,844,940	12,727	3,844,940	16,033
Suncorp Group Ltd.	3,218,120	29,703	3,314,232	44,643
Sydney Airport	4,874,629	27,639	3,184,629	25,605
Tank Stream Ventures	50,341	375	50,341	363
Technology One Ltd.	1,855,000	16,305	1,515,000	11,938
Telstra Corporation Ltd.	15,236,961	47,692	15,236,961	58,662
TPG Telecom Ltd.	3,148,725	28,024	3,148,725	20,278
Transurban Group Ltd.	5,815,153	82,168	4,592,153	67,688
Treasury Wine Estates Ltd.	1,206,363	12,643	1,206,363	17,999
Tuas Limited	1,574,363	1,063	–	–
Washington H. Soul Pattinson & Company Ltd.	9,174,640	179,181	9,174,640	201,750
Wesfarmers Ltd.	2,877,375	128,993	2,877,375	104,046
Westpac Banking Corporation	9,985,458	179,239	10,545,458	299,069
Whitefield Ltd.	–	–	149,373	726
Woodside Petroleum Ltd.	1,288,838	27,903	1,288,838	46,862
Woolworths Group Ltd.	2,936,973	109,490	2,936,973	97,596
		2,706,159		3,141,236

Directors' Declaration
for the year ended 30 June 2020

1. In the opinion of the directors of Milton Corporation Limited:

   (a) the consolidated financial statements and notes that are set out on pages 21 to 47 and the Remuneration report, that is set out on pages 12 to 18 in the Directors' report are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;

      (ii) complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*;

      (iii) complying with International Accounting Standards as issued by the International Accounting Standards Board as described in Note 21a to the financial statements; and

   (b) there are reasonable grounds to believe that Milton Corporation Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the directors.

R. D. MILLNER
Chairman

Sydney, 6 August 2020

Independent Auditor's Report

PITCHER PARTNERS

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201 Sussex Street
Sydney NSW 2000

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GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
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Independent Auditor's Report
to the Members of Milton Corporation Limited
ABN 18 000 041 421

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Milton Corporation Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Independent Auditor's Report
continued

Key Audit Matters

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

Key audit matter	How our audit addressed the matter
Existence and Valuation of investments in equity instruments and related movement in reserves ***Refer to Note 2(d): Deferred tax liabilities, Note 7: Investments in equity instruments and Note 12: Reserves***	
At 30 June 2020, the Group's statement of financial position includes investments in equity instruments of $2,706,159,000, an asset revaluation reserve of $661,034,000 and a deferred tax liability recognised in relation thereto of $289,725,000. Listed investments are valued continuously at fair value, which is determined by the unadjusted last-sale price quoted on the Australian Securities Exchange. Changes in fair value of equity instruments are recognised in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability, as investments are long term holdings of equity instruments. Given the significance of the balances, the key audit matter for us was whether the Group has accurately recorded the above balances and the movement in the past 12 months and has ownership of the investments at year end.	Our procedures included, amongst others: ▪ Documenting our understanding of management's processes and relevant controls; ▪ Tested relevant controls relating to the portfolio revaluation are performed regularly by management; ▪ Confirming the recording and ownership of a sample of investments and transactions during the year by agreeing the SRN/HIN numbers to share registry holding statements online and to the books and records of the Group; ▪ Analysing and testing the movement in investments; ▪ Testing management's calculation of the revaluation of investments and the corresponding deferred income tax effect; and ▪ Assessed the adequacy of disclosures in the financial report.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the Directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Milton Corporation Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

SWallace

S.S. Wallace
Partner

6 August 2020

Pitcher Partners

PITCHER PARTNERS
Sydney

Corporate Directory
Milton Corporation Limited

Directors

R. D. MILLNER
Chairman

G. L. CRAMPTON

K. J. ELEY

J. E. JARVINEN

I. A. POLLARD

Management

B. J. O'DEA
CEO and Managing Director

D.N. SENEVIRATNE
CFO and Secretary

Registered Office & Principal Place of Business

Level 4, 50 Pitt Street
Sydney NSW 2000

Phone: (02) 8006 5357
Fax: (02) 9251 7033
Email: general@milton.com.au
Website: www.milton.com.au

Auditors

Pitcher Partners
Level 16, Tower 2
201 Sussex Street
Sydney NSW 2000

Website: www.pitcher.com.au

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Phone: (02) 8280 7111
Fax: (02) 9261 8489
Toll free: 1800 641 024
Email: milton@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

ASX Information
ASX Code: MLT

Top 20 shareholders as at 30 June 2020

Name	Shares Held	%
Washington H Soul Pattinson & Company Limited	22,216,178	3.31
Higlett Pty Ltd	21,000,000	3.13
Argo Investments Limited	15,969,198	2.38
HSBC Custody Nominees (Australia) Limited	15,922,175	2.37
Australian Foundation Investment Company Limited	9,775,918	1.46
Bortre Pty Limited	6,079,504	0.91
Danwer Investments Pty Ltd	6,079,504	0.91
Griffinna Pty Ltd	5,730,383	0.85
J S Millner Holdings Pty Ltd	3,843,514	0.57
Macdawley Proprietary Limited	3,479,615	0.52
JBF Holdings Pty Ltd	3,440,466	0.51
Hexham Holdings Pty Limited	3,280,079	0.49
Millane Pty Limited	3,165,269	0.47
T N Phillips Investments Pty Ltd	3,087,381	0.46
Jamama Nominees Pty Limited	3,031,214	0.45
A V L Investments Proprietary Limited	2,979,080	0.44
John E Gill Trading Pty Ltd	2,814,074	0.42
Chickenfeed Pty Ltd	2,809,614	0.42
David Burns Pty Limited	2,724,955	0.41
Isomet Pty Ltd	2,683,615	0.40
Djaldar Pty Ltd	2,545,000	0.38

On 30 June 2020, there were 29,514 holders of ordinary shares in the capital of Milton. Holders of ordinary shares are entitled to one vote per share.

Number of shares held	Number of shareholders
1 – 1,000	4,827
1,001 – 5,000	8,456
5,001 – 10,000	5,716
10,001 – 100,000	9,821
100,001 and over	694
The number of holders of less than a marketable parcel of $500 (122 shares)	862

Other Information

Milton is taxed as a public company. There is no current on-market buy-back.

The total number of transactions in securities undertaken by Milton was 266 and the total brokerage paid or accrued was $796,603.

Share Issues History

Share Purchase Plan history

Date	Issue price per share $
10.11.1999	8.75
13.11.2000	8.86
13.11.2001	10.79
08.11.2002	11.70
31.10.2003	13.21
29.10.2004	14.10
21.10.2005	17.11
16.10.2006	19.60
19.10.2007	22.48
03.10.2008	17.85
09.10.2009	16.08
30.09.2013	19.12
22.10.2013	5 for 1 share split
01.10.2014	4.45
02.10.2015	4.18

Dividend Reinvestment Plans

Date	Shares issued	Price $
04.03.2014	187,207	4.27
03.09.2014	698,365	4.55
03.03.2015	712,273	4.56
03.09.2015	998,879	4.39
03.03.2016	921,511	4.19
02.09.2016	1,086,782	4.28
02.03.2017	953,908	4.34
05.09.2017	1,113,757	4.44
01.03.2018	978,655	4.59
04.09.2018	1,188,729	4.66
05.03.2019	1,158,994	4.39
03.09.2019	1,288,011	4.64
05.03.2020	1,075,294	4.94

Acquisition of unlisted companies

Date	Shares issued
21.06.2002	2,287,200
31.12.2002	1,739,112
11.03.2004	2,742,777
01.04.2004	496,809
17.08.2006	1,000,322
23.08.2006	1,476,254
28.08.2006	382,404
21.09.2006	278,103
10.11.2006	1,888,353
23.03.2007	1,895,976
14.05.2007	2,424,582
20.06.2007	252,477
24.09.2007	1,223,252
19.02.2009	3,555,958
26.02.2010	1,016,370
26.02.2010	3,116,341
20.08.2010	2,446,521
21.02.2013	521,464
24.02.2014	3,280,382
22.08.2017	4,114,776
17.08.2018	5,575,148
28.02.2019	2,869,406

Share Split

Date	Ratio	Notes
22.10.2013	Five shares for one	The number of shares issued prior to this date have not been adjusted for the share split.

A full list of issues to shareholders since commencement of Capital Gains Tax in September 1985 can be found on the company's website at *www.milton.com.au*

Acquisition of listed investment companies

Date	Company	Shares issued
31.12.2001	Cambooya Investments Limited	8,273,505
16.12.2010	Choiseul Investments Limited	23,803,854

Milton
CORPORATION LIMITED

ABN: 18 000 041 421

Level 4, 50 Pitt Street, Sydney NSW 2000
T: (02) 8006 5357 F: (02) 9251 7033 E: general@milton.com.au

www.milton.com.au

BKI Investment Company Limited

BKI INVESTMENT COMPANY LIMITED

ASX APPENDIX 4E – PRELIMINARY FINAL REPORT

30 JUNE 2020

The reporting period is the year ended 30 June 2020 with the previous corresponding period being the year ended 30 June 2019

BKI Investment Company Limited
Level 14, 151 Clarence Street, Sydney NSW 2000
T (02) 9210 7000 F (02) 9210 7099 W: www.bkilimited.com.au

BKI Investment Company Limited

YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				Jun 2019		Jun 2019
	Change			**$'000**		$'000
Revenue performance						
Total income – ordinary	Down	13.9%	to	**46,732**	from	54,254
Special investment revenue	Down	74.3%	to	**7,182**	from	27,977
Total income from ordinary activities	Down	34.4%	To	**53,914**	from	82,231
Profits						
Operating result after tax - before special investment revenue net of applicable tax	Down	15.4%	To	**41,578**	from	49,150
Special investment revenue net of applicable tax	Down	72.4%	to	**7,044**	from	25,550
Net profit from ordinary activities after tax attributable to shareholders	Down	34.9%	to	**48,622**	from	74,700
Net profit attributable to shareholders	Down	34.9%	to	**48,622**	from	74,700
Portfolio						
Total portfolio value (including cash & receivables)	Down	12.1%	to	**1,084,667**	from	1,234,262
Earnings per share				**Cents**		Cents
Basic earnings per share **before** special investment revenue	Down	16.0%	to	**5.67**	from	6.75
Basic earnings per share **after** special investment revenue	Down	35.4%	to	**6.63**	from	10.26
Dividends per share						
Interim - ordinary	Steady		at	**3.625**	from	3.625
Interim – special	Down	100.0%	to	**nil**	from	1.500
Final – ordinary	Down	37.3%	To	**2.320**	from	3.700
Final – special	Steady		at	**1.000**	from	1.000
Full year total	Down	29.3%	to	**6.945**	From	9.825

BKI Investment Company Limited

YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Explanation of Operating Results

The first half of FY2020 saw an increase in concerns around global economic conditions and geopolitical events, even as most global share indices tracked upwards. However, the advent of the COVID-19 economic crisis created significant social and economic upheaval in the second half of the financial year, causing extreme economic uncertainty across all industries globally, and resulting in extreme fluctuations in global sharemarkets.

This disruption to the underlying economy, and subsequent impact on investment markets, means Australian equity investors have recently experienced a significant cut to dividends, with many companies deferring or even cancelling dividend payments altogether. BKI's income and profits were not immune

In an extremely difficult year, BKI's Total Ordinary Revenue from its Investment portfolio was down 13.3% to $45.4 million, driving a 15.4% decrease in Net Operating Result before special investment revenue to $41.6m from $49.2m in 2019. Basic and diluted earnings per share before special dividend revenue was down 16.0% to 5.67 cents per share.

This result was negatively impacted by lower ordinary dividends received from Woodside Petroleum, AGL Energy, SEEK, Regis Healthcare, Transurban Group, New Hope Corporation, National Australia Bank and Macquarie Group. This was exacerbated in the second half of the year when Harvey Norman, Sydney Airport, ANZ Bank and Westpac Banking Corporation did not pay an ordinary dividend at all.

BKI received $7.2m in special investment revenue in FY2020, including special dividends from Telstra Corporation, Harvey Norman, Orora Limited, and TPG Australia. The special dividends from TPG Australia were declared following the receipt of final court approval for its merger with VHA (Vodafone Hutchinson Australia). Shareholders in TPG Australia were rewarded with a $0.516 cps fully franked cash special dividend, generating $3.0m special dividend revenue for BKI in FY2020. In addition, BKI has recognized a further $1.9m fully franked special dividend in FY2020 as a result of an in-specie distribution of TUA shares.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2020 was $48.6 million, down 35% on the previous corresponding period, with basic earnings per share, including special investment revenue, decreasing 35% to 6.63 cents per share.

Total Shareholder Return including franking credits for the year to 30 June 2020 was negative 5.0%, compared to the S&P/ASX 300 Accumulation Index, which returned negative 6.0% over the same period. BKI's Total Shareholder Return including Franking Credits for 15 years was 8.9% per annum compared to the S&P/ASX 300 Accumulation Index, which returned 8.4%.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2020 was negative 8.2%.

NTA Backing

	30 June 2020	**30 June 2019**
Net Tangible Asset backing per ordinary share before tax	$1.47	$1.69
Net Tangible Asset backing per ordinary share after tax	$1.43	$1.58

BKI Investment Company Limited

YEAR ENDED 30 JUNE 2020

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Additional Dividend Information

The Directors have declared a final ordinary 2020FY dividend of 2.32 cents per share and a special dividend of 1.00 cents per share, both fully franked at the tax rate of 30%, which will be paid on 27 August 2020. The Record date for the dividend is 10 August 2020.

The Company has a Dividend Reinvestment Plan in operation offering shareholders the opportunity to receive additional shares in the Company instead of receiving cash dividends. No discount will apply to the Dividend Reinvestment Plan. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is 11 August 2020.

Shareholders can update their election notices electronically by following the link on the Share Registry page of the BKI Investment Company Limited website. (www.bkilimited.com.au)

Other Information

This report is based on audited accounts. A copy of the 2020 Annual Report, which includes the audited accounts, is attached to this Appendix 4E.

Annual Report 2020

for year ended 30 June 2020

BKI INVESTMENT COMPANY LIMITED

ABN 23 106 719 868

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

CORPORATE DIRECTORY

Directors

Robert Dobson Millner	Non-Executive Chairman
David Capp Hall AM	Independent Non-Executive Director
Alexander James Payne	Non-Executive Director
Ian Thomas Huntley	Independent Non-Executive Director

Investment Manager
Contact Asset Management Pty Limited

Thomas Charles Dobson Millner	Portfolio Manager
William Anthony Culbert	Portfolio Manager

Company Secretaries
Jaime Perry Pinto
Larina Tcherkezian (Alternate)

Registered Office
Level 14
151 Clarence Street
Sydney NSW 2000
Telephone: (02) 9210 7000
Facsimile: (02) 9210 7099

Postal Address:
GPO Box 5015
Sydney, NSW 2001

Auditors
MGI Sydney Assurance Services Pty Ltd
5th Floor
6 O'Connell Street
Sydney NSW 2000

Share Registry
Advanced Share Registry Services Limited
110 Stirling Highway
Nedlands, WA 6009
Telephone: (08) 9389 8033

Australian Stock Exchange Code
Ordinary Shares BKI

Website
www.bkilimited.com.au

Contents	Page No.

FINANCIAL HIGHLIGHTS

	Change			Jun 2020 $'000		Jun 2019 $'000
Revenue performance						
Total income – ordinary	down	13.9%	to	**46,732**	from	**54,254**
Special investment revenue	down	74.3%	to	**7,182**	from	**27,977**
Total income from ordinary activities	down	34.4%	to	**53,914**	from	**82,231**
Profits						
Operating result after tax - before special investment revenue net of applicable tax	down	15.4%	to	**41,578**	from	**49,150**
Special investment revenue net of applicable tax	down	72.4%	to	**7,044**	from	**25,550**
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Net profit attributable to shareholders	down	34.9%	to	**48,622**	from	**74,700**
Portfolio						
Total portfolio value (including cash & receivables)	down	12.1%	to	**1,084,667**	from	1,234,262
Earnings per share (EPS)				**Cents**		Cents
Basic EPS **before** special investment revenue and applicable tax	down	16.0%	to	**5.67**	from	6.75
Basic EPS **after** special investment revenue and applicable tax	down	35.4%	to	**6.63**	from	10.26
Dividends						
Interim - Ordinary	steady		at	**3.625**	from	**3.625**
Interim - Special	down	100%	to	**0.000**	from	**1.500**
Final – Ordinary	down	37.3%	at	**2.320**	from	**3.700**
Final – Special	steady		to	**1.000**	from	**1.000**
Full Year Total	down	29.3%	to	**6.945**	from	**9.825**

10 Year Dividend History (cents per share):

30 June	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interim	3.00	3.20	3.25	3.45	3.55	3.60	3.60	3.625	3.625	3.625
Final	3.00	3.20	3.40	3.50	3.65	3.65	3.70	3.700	3.700	2.320
Special	1.00	-	0.50	-	-	-	-	-	2.500	1.000
Total	**7.00**	**6.40**	**7.15**	**6.95**	**7.20**	**7.25**	**7.30**	**7.325**	**9.825**	**6.945**

All ordinary and special dividends paid by BKI Investment Company Limited ("BKI") since listing on the Australian Stock Exchange have been fully franked.

10 Year Net Tangible Asset (NTA) History ($ per share):

30 June	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NTA before tax	1.42	1.30	1.52	1.63	1.65	1.55	1.61	1.63	1.69	1.47
NTA after tax	1.34	1.26	1.42	1.51	1.53	1.47	1.52	1.54	1.58	1.43

FINANCIAL HIGHLIGHTS - Continued

List of Securities as at 30 June 2020

	Number of shares held	Market value $'000	Portfolio weight %
Financials			
Macquarie Group	655,172	77,703	7.16
Commonwealth Bank	1,030,023	71,504	6.59
National Australia Bank	2,146,120	39,102	3.61
ASX Limited	397,750	33,960	3.13
Westpac Banking Corporation	1,305,518	23,434	2.16
Magellan Financial Group Limited	383,500	22,247	2.05
IAG Limited	3,063,445	17,676	1.63
Suncorp Group	951,408	8,782	0.81
Milton Corporation	2,103,640	8,604	0.79
Pendal Group	1,093,185	6,526	0.60
Platinum Asset Management	1,738,000	6,483	0.60
Equity Trustees	195,054	4,828	0.45
Evans Dixon	5,674,572	3,036	0.28
		323,885	**29.86**
Industrials			
Transurban Group	4,031,534	56,966	5.25
Sydney Airport	5,127,677	29,074	2.68
Seek Limited	537,500	11,766	1.09
Lindsay Australia	17,141,631	6,000	0.55
Brambles Limited	500,576	5,441	0.50
Reece Limited	515,499	4,737	0.44
		113,984	**10.51**
Consumer Discretionary			
Wesfarmers Limited	1,129,102	50,618	4.67
Invocare Limited	1,638,974	17,176	1.58
ARB Corporation	945,447	16,971	1.56
Harvey Norman Holdings Limited	3,887,454	13,761	1.27
		98,526	**9.08**
Materials			
BHP Group Limited	1,925,000	68,954	6.36
Amcor	1,194,890	17,302	1.60
Brickworks Limited	436,209	6,905	0.64
Orora Limited	1,600,000	4,064	0.37
		97,225	**8.97**
Consumer Staples			
Woolworths Group	1,428,744	53,263	4.91
Coles Group	1,129,102	19,387	1.79
Treasury Estate	905,155	9,486	0.87
Inghams Group	1,978,355	6,331	0.58
		88,467	**8.15**

FINANCIAL HIGHLIGHTS - Continued

List of Securities as at 30 June 2020 (Continued)

	Number of shares held	Market value $'000	Portfolio weight %
Utilities			
APA Group	5,770,434	64,225	5.92
AGL Energy Limited	1,233,708	21,035	1.94
		85,260	**7.86**
Telecommunications			
TPG Telecom	5,748,362	49,514	4.56
Telstra Corporation	8,524,451	26,682	2.46
		76,196	**7.02**
Health Care			
Ramsay Healthcare	515,070	34,262	3.16
Sonic Healthcare	960,899	29,240	2.70
Regis Healthcare	1,807,428	2,548	0.23
		66,050	**6.09**
Energy			
Woodside Petroleum Limited	1,175,876	25,458	2.36
New Hope Corporation	17,950,950	24,503	2.26
		49,961	**4.62**
Property			
Goodman Group Limited	945,000	14,033	1.29
LendLease	633,178	7,832	0.72
Stockland	1,225,000	4,055	0.37
		25,920	**2.38**
Total Portfolio		**1,025,474**	**94.54**
Investment portfolio		**1,025,474**	**94.54**
Trading portfolio		**-**	**-**
Total Portfolio		**1,025,474**	**94.54**
Cash and dividends receivable		**59,193**	**5.46**
Total Investment Assets		**1,084,667**	**100.00**

The Group is a substantial shareholder in accordance with the Corporations Act 2001 of Lindsay Australia Limited, holding 5.73% of the issued capital as at 30 June 2020. The Group is not a substantial shareholder in any other investee corporation as each equity investment represents less than 5% of the issued capital of the investee corporation.

GROUP PROFILE

BKI Investment Company Limited ("BKI" or "the Group") is a Listed Investment Company on the Australian Stock Exchange. The Group invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.

BKI shares were listed on the Australian Stock Exchange Limited commencing 12 December 2003.

Corporate Objectives

The Group aims to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends to the extent of available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Investment Strategy

The Group is a research driven, long term manager focusing on well managed companies, with a profitable history and that offer attractive dividend yields. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends.

Dividend Policy

Having respect to prudent business practices, and ensuring the business retains sufficient working capital to allow the achievement of the Group's Corporate Objectives and Business Strategy, the Group will pay the maximum prudent amount of realised profits after tax for that year to shareholders as fully franked dividends to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

Ordinary dividends will be declared by the Board of Directors out of the Company's Net Operating Result, after tax but before special investment revenue.

In circumstances where the Group accumulates sufficient special investment revenue after ensuring the business retains sufficient working capital in accordance with its capital management objectives, the Board will consider declaring special fully franked dividends to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

In circumstances where the Group generates sufficient qualifying capital gains, LIC Gains will be distributed to shareholders to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

Management

The portfolio management and advisory function of BKI is performed by Contact Asset Management Pty Limited ("Contact"). Contact is majority owned by Mr Tom Millner and Mr Will Culbert, the former CEO and Portfolio Manager respectively of BKI, with the remaining 20% owned by Washington H. Soul Pattinson and Company Limited. The BKI Board of Directors and Investment Committee meet regularly to review the portfolio and set the investment strategy of BKI.

The Group also engages Corporate & Administrative Services Pty Ltd to provide accounting and group secretarial services. These services are overseen by the BKI Company Secretary, Mr Jaime Pinto.

CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the 17th Annual Report of BKI Investment Company Limited (BKI) for the year to 30 June 2020.

The first half of FY2020 saw an increase in concerns around global economic conditions and geopolitical events, even as most global share indices tracked upwards. However, the advent of the COVID-19 economic crisis created significant social and economic upheaval in the second half of the financial year, causing extreme economic uncertainty across all industries globally, and resulting in extreme fluctuations in global sharemarkets.

Result Highlights

This disruption to the underlying economy and subsequent impact on investment markets means Australian equity investors have recently experienced a significant cut to dividends, with many companies deferring or even cancelling dividend payments altogether. BKI's income and profits were not immune. In an extremely difficult year, BKI's Ordinary Revenue from Investment portfolio was down 13% to $45.4 million.

This result was negatively impacted by lower ordinary dividends received from Woodside Petroleum, AGL Energy, SEEK, Regis Healthcare, Transurban Group, New Hope Corporation, National Australia Bank and Macquarie Group. This was exacerbated in the second half of the year when Harvey Norman, Sydney Airport, ANZ Bank and Westpac Banking Corporation did not pay an ordinary dividend at all.

BKI realised $0.7 million from the trading portfolio, after participating in the National Australia Bank and LendLease Limited capital raisings. BKI's interest received was $0.6 million, down 68% on FY2019.

The fallout from the COVID-19 economic crisis has been significant. BKI's Net Operating Profit After Tax, before special investment revenue, was $41.6 million, a decrease of 15% over the previous corresponding period. BKI's basic earnings per share before special investment revenue decreased 16% to 5.67 cents per share.

Special Dividend Revenue was again a feature with BKI receiving $7.2 million in Special Dividend Revenue over the year. Special Dividends were received from Telstra Corporation, Harvey Norman and Orora Limited.

Also, during the period TPG Australia received the final court approval which will now see TPG Australia merge with VHA (Vodafone Hutchinson Australia). As part of the merger, TPG Australia spun-off Tuas Limited (TUA), who will now be the owner of the TPG Singapore business. As an existing shareholder of TPG Australia, in July BKI received one share in Tuas Limited via an In-Specie Dividend of Tuas shares for every two TPG Australia shares. BKI has recognized a $1.9 million fully franked special dividend in FY2020 as a result of the TUA demerger. Shareholders in TPG Australia were also rewarded with a $0.516 fully franked special dividend following implementation of the Scheme. This resulted in BKI recognizing an additional $3.0 million special dividend in FY2020.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2020 was $48.6 million, down 35% on the previous corresponding period. The main contributing factor for BKI's significant decrease in Net Operating Profits from the previous year was the large number of special dividends received in FY2019 after the acceleration of payments by many companies reacting to the possible threat of legislation to remove the benefit of franking credits. The special dividends received in FY2019 also included the fully franked special dividend component of the BHP off-market buy-back, and a non-cash unfranked dividend recognised from the Coles-Wesfarmers demerger.

BKI's basic earnings per share, including special investment revenue, decreased 35% to 6.63 cents per share

Dividends

Given the current economic situation, and the pressure created by significant cuts to dividends received, the BKI Board has declared a fully franked final dividend of 2.32cps, representing a 100% payout ratio on BKI's basic earnings per share, excluding special investment revenue. The BKI Board has also declared a 1.00cps fully franked special dividend. This is BKI's eighth special dividend paid to shareholders since listing in 2003.

CHAIRMAN'S ADDRESS - Continued

Based on the 3.625cps FY2020 interim dividend and 2.32cps FY2020 final dividend, the current BKI dividend yield is 4.3%, grossed up to 6.3%, based on a tax rate of 30% and a share price of $1.385 as at 30 June 2020.

Including special dividends, BKI has declared total dividends of 6.945 cps in respect of FY2020, fully franked.

Following payment of the FY2020 dividends, BKI will have approximately $16.0m of imputation credits available for future dividends. BKI's Retained Profits at 30 June 2020 were $45.3m.

Dividend Key Dates

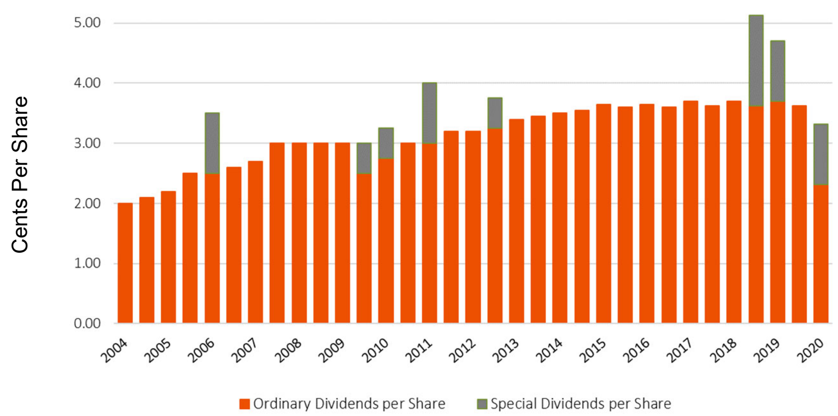
The last trading date to be eligible for the FY2020 Final Dividends is Thursday 6 August 2020. Key dates for the fully franked Final Dividends are as follows:

Event	Date
Last trading date to be eligible for the Final Dividends	**Thursday 6 August 2020**
Ex-Dividend Date	**Friday 7 August 2020**
Record Date	**Monday 10 August 2020**
DRP Nomination	**Tuesday 11 August 2020**
Payment Date	**Thursday 27 August 2020**

Dividend Reinvestment Plan (DRP)

The Board has confirmed that BKI's DRP will be maintained for the FY2020 final dividends, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP will not be offered at a discount. The last day to nominate for participation in the DRP is Tuesday 11 August 2020. To obtain access to a DRP form please use the following link: https://bkilimited.com.au/dividend-information/

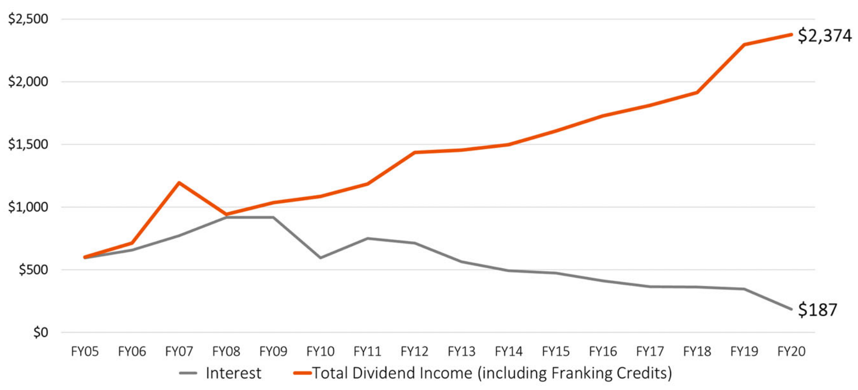
The DRP price will be calculated using the average of the daily volume weighted average sale price of BKI's shares sold in the ordinary course of trading on the ASX during the 5 trading days after, but not including, the Record Date (Monday 10 August 2020).



Above - Fully Franked Ordinary Dividends and Special Dividends declared by BKI (cents per share).

BKI focuses on investing for the long term in profitable, high yielding, well managed companies that ultimately deliver wealth for BKI shareholders, through an increasing fully franked dividend and capital growth. The chart below shows how powerful compounding can be by reinvesting the dividends that have been paid by BKI over the last 15 years.

CHAIRMAN'S ADDRESS - Continued



Above - Dividends + Franking Credits received from a $10,000 investment in BKI at IPO versus Bank Quarterly Interest.

In this example, an investor who spent the equivalent of $10,000 to purchase BKI shares upon listing in December 2003 and reinvested those dividends, would have received fully franked dividends totaling $1,662. The franking credits enhance the income by a further $712 (total income of $2,374). The same investment in a term deposit (based on the cash rate + 0.50%) would be earning $187pa with no franking credits.

Management Expense Ratio (MER)

BKI's MER as at 30 June 2020 was 0.17%, in line with FY2019. The Board & Portfolio Managers are shareholders in BKI, we invest for the long term and do not charge excessive external portfolio management fees or any performance fees. We focus on creating wealth for all shareholders by keeping costs low and increasing fully franked dividends and capital growth.

Top 25 Investments

	Stock	% of Total Portfolio
1	Macquarie Group	7.2%
2	Commonwealth Bank	6.6%
3	BHP Limited	6.4%
4	APA Group	5.9%
5	Transurban Group	5.3%
6	Woolworths Limited	4.9%
7	Wesfarmers Limited	4.7%
8	TPG Telecom	4.6%
9	National Australia Bank	3.6%
10	Ramsay HealthCare	3.2%
11	ASX Limited	3.1%
12	Sonic Healthcare	2.7%
13	Sydney Airport	2.7%
14	Telstra Corporation	2.5%
15	Woodside Petroleum	2.3%
16	New Hope Corporation	2.3%
17	Westpac Banking Corporation	2.2%
18	Magellan Financial Group	2.1%
19	AGL Energy Limited	1.9%
20	Coles Group	1.8%
21	IAG Limited	1.6%
22	Amcor	1.6%
23	Invocare Limited	1.6%
24	ARB Corporation	1.6%
25	Goodman Group Limited	1.3%
	Cash and cash equivalents	5.5%
	Total of Top 25 including cash and cash equivalents	**89.2%**

Outlook

Australia's economic stimulus packages currently in place have been a significant benefit to the Australian household and consumer during the COVID-19 crisis. The Government's economic support package of almost $260 billion and the banks 779,458 loan deferrals have been very well received. However, longer-term, we are concerned with forecast unemployment numbers as well as the impact of the upcoming completion of deferral payment programs focused on small/medium businesses and individual mortgages will have on the economy.

CHAIRMAN'S ADDRESS - Continued

This upcoming reporting season is going to be of particular interest to investors. It will be the first time since March 2020 that companies will be able to talk to investors about their business, how they are seeing the current environment and the longer term impacts that COVID-19 will have on their future financial capacity and earnings.

We believe the global economic and social shutdown will cause some long-lasting negative impacts on businesses across our market. There may actually only be a small number of companies that could escape with earnings unharmed, benefiting over the short-term from a change in consumer behaviour or through significant government stimulus packages. These companies could come out of this situation quicker and better than others, however, for the most part we believe that it will be a long and slow road ahead.

Whilst we are in for an interesting period ahead, which could last for longer than expected, BKI continues to be well positioned with a portfolio of high-quality dividend paying stocks. BKI has available cash and no debt. Even during these difficult times ahead, we will continue to ensure BKI achieves its objective of investing for the long term in profitable, high yielding and well managed companies.

Robert Millner
Chairman

PORTFOLIO MANAGER'S REPORT

Dear Shareholders,

Contact Asset Management, as the Investment Manager of BKI Investment Company, are pleased to include our report for FY2020.

Market Commentary

The momentum in global equity markets over the last decade finally eased during FY2020. Despite falling interest rates continuing to influence market valuations for the first six months of the year, it was on 31 December 2019 that the world's economies and equity markets began to change course. It was on this day that Wuhan health officials confirmed 27 cases of Coronavirus (COVID-19). As the outbreak quickly spread, every country globally took desperate measures to prevent further cases emerging. Unfortunately, cases did spread globally and with that came a very volatile period for markets.

Despite the S&P/ASX300 Accumulation index being up 24% for the year to 31 December 2019, and a reasonable start to the Australian reporting season in February 2020, emerging news of the spread of COVID-19 and the remarkable shutdown of all countries worldwide played havoc with market returns. The short-term volatility was significant and unfortunately Australian markets were among the hardest hit. Towards the end of March 2020, the S&P/ASX300 Accumulation index had fallen 36% from its highs in the previous month.

The COVID-19 health crisis has also led to further and multiple waves of interest rate cuts globally. The Federal Reserve cut rates to 0%, China lowered its benchmark 1 year Prime Rate by 10 bps to 4.05%, the Bank of England announced emergency cuts in interest rates to 0.10%, taking borrowing costs down to the lowest level in history. The Bank of Japan left its key short-term interest rate unchanged at negative 0.10%. In an emergency meeting, the New Zealand Governor made a surprise decision to cut the official cash rate by 0.75% to 0.25%, an all-time low, and the RBA cut Australian rates by 50 bps to a record low 0.25%.

As we had been writing about for some time, we were wary of elevated valuation metrics of the Australian market. While many companies in the BKI Portfolio continued to deliver an attractive income stream, valuations had become stretched. We expected some material downward revisions at some point, however the downward push on markets linked to the COVID-19 health crisis took everyone by surprise.

The main challenge we faced during the June quarter, from a valuation perspective, was estimating the earnings impact in the near term. The FY2021 consensus EPS growth expectations continued to paint a very optimistic picture and we believed that these forecasts looked vulnerable to erosion, putting a strain on valuations (and prices) which remained elevated despite the market pullback. We believed during this period that there was more pain to come.

The short-term pain seen in the Australian share market was surprisingly short lived and the index finished the financial year strongly, despite returning negative 7.6% for the year. This recovery is partly attributable to the $260 billion Australian Federal stimulus being implemented to combat the COVID-19 crisis.

Australia continues to undergo its largest ever infrastructure boom with the Government investing a record $100 billion towards transport infrastructure over the next decade, boosted again by additional funding throughout the COVID-19 pandemic. As lockdown restrictions eased and stimulus cash flowed into bank accounts, we began to see some very strong retail sales activity. These observations in the market were confirmed with some very strong data over the quarter. The ABS reported retail sales up 16.3% in May, the largest seasonally adjusted rise ever published in the 38 years of the Retail Trade survey, following the largest ever seasonally adjusted fall of 17.7% in April 2020. Trading updates from many retailers point to double digit sales growth with a significant amount driven by online sales.

We are finding it difficult to justify the (so far) V-shaped recovery in Global Equities Markets. This recovery has seen governments globally doing "whatever it takes" to stem the impact of COVID-19 on their economies. This involves maintaining near-zero interest rates, significant liquidity injections through money printing and pushing out "fiscal cliffs" with further deferments of mortgages and interest payments by small and medium business owners.

Despite all the stimulus packages and historically low interest rates currently on offer, these deep, longer term issues may take 6-12 months to play out and we continue to be concerned about the medium-term outlook for much of the Australian economy. The ASX300 index is trading at almost exactly the same level as it was in June 2019, however the earnings outlook for most companies in the index has deteriorated significantly. We do not believe we have seen the real impact high unemployment, supply chain issues, low dividends or low immigration will have on our economy.

We believe that sooner or later the market will focus on company valuations and realise that valuations do not align with the likely earnings outlook. We remain cautious into FY2021.

Portfolio Movements

In the first half of this financial year, we made changes to the portfolio through $55 million of sales, including exiting positions in Boral and Ampol (formally Caltex). We also reduced our overall exposure to the banking sector through sell downs of National Australia Bank, Westpac Banking Corporation and ANZ Banking Group. Over the last three years we have reduced our overall portfolio weighting in the banks from 33% to 15%.

In the second half of the year BKI's sales included the complete divestment of ANZ Banking Group following its failure to pay an interim 2020 dividend, as well as Challenger Limited and CIMIC Group. BKI also sold down partial positions in IAG Limited, Suncorp Group, AGL Energy and Telstra Corporation. Total divestments for the year were $91 million.

These further divestments in the second half of the year allowed BKI to reinvest capital into other positions within the portfolio. BKI invested $128 million during FY2020 with the largest investments being BHP Limited, Macquarie Group, Amcor, Treasury Wine Estates, Harvey Norman Holdings, Transurban Group, New Hope Corporation, TPG Telecom, Sydney Airport and Woodside Petroleum.

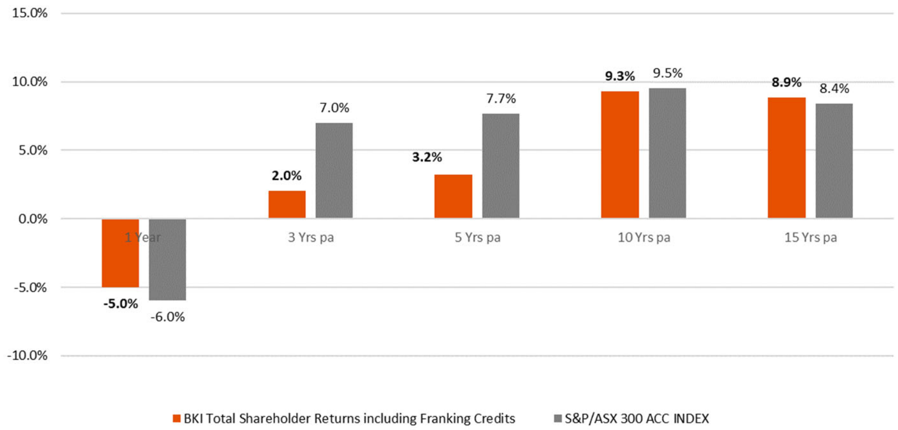
During June we welcomed the final court approval which sees TPG Telecom merge with VHA (Vodafone Hutchinson Australia). The merger will create Australia's third largest telecommunications company, bringing together two highly complementary businesses and creating economies of scale to compete with Telstra and Optus. The transaction also sees the Fund receive a $0.516 cash Special Dividend and an in-specie distribution of shares in Tuas Limited (TUA). TUA is the fourth and newest mobile network operator in Singapore. While still in start-up phase, the business will have no debt and S$130m of cash which they anticipate will be sufficient to get to EBITDA breakeven.

As at the end of June 2020, there were 43 stocks within the Portfolio, with the Top 25 holdings and cash accounting for 89.2% of the total Portfolio. The Investment Portfolio (including cash) was valued at $1,084.7 million, with the cash position of $59.2 million representing 5.5%.

Performance

For the year to 30 June 2020, the S&P/ASX 300 Accumulation Index return was negative 7.6%. BKI's Total Shareholder Return was negative 7.1%, an outperformance of 0.5%. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2020 was negative 5.0%.

BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2020 was negative 8.2%.



Above - BKI Total Shareholder Returns (TSR) Including Franking Credits as at 30 June 2020.

There continues to be significant long-term value created by owning BKI shares. BKI focuses on investing for the long term in profitable, high yielding, well managed companies that ultimately deliver wealth for BKI shareholders, through an increasing fully franked dividend and capital growth. The chart below shows how powerful compounding can be by reinvesting the dividends that have been paid by BKI over the last 15 years.

Above – The Cumulative Value (TSR) of BKI shares since IPO in December 2003 (including franking credits and the reinvestment of dividends).

Investment Team

Contact Asset Management's investment team is made up of seven investment analysts; Tom Millner, Will Culbert, Rodney Forrest, Jovana Gagic, Jared Tilley, Charlie Kingston and Rob Horne. All staff at Contact Asset Management own shares in BKI, ensuring the investment manager is aligned with shareholders. We remain committed to investing for better outcomes for all BKI Shareholders. Our focus is on earnings growth and dividend payments – not generating excessive fees.

Research and Ratings

During the year, BKI was once again well endorsed by various investment product research and ratings companies. BKI currently has a Recommended rating from LONSEC, a Recommended-Plus rating from Independent Investment Research (IIR) and a Neutral rating from Morningstar.

Tom Millner and Will Culbert
Contact Asset Management

DIRECTORS' REPORT

The Directors of BKI Investment Company Limited ("the Company", or "BKI") present the following report on the Company and its controlled entities ("the Group") for the year to 30 June 2020.

1. Directors

The following persons were Directors since the start of the financial year and up to the date of this report:

Robert Dobson Millner, FAICD – Non-Executive Director and Chairman

Mr Millner was appointed Non-executive Chairman upon the Company's formation in October 2003. Mr Millner has over 36 years' experience as a Company Director and extensive experience in the investment industry, and is currently a Director of the following ASX listed companies:

- Washington H Soul Pattinson and Company Limited (appointed 1984, Chairman since 1998)
- New Hope Corporation Limited (appointed 1995, Chairman since 1998)
- Brickworks Limited (appointed 1997, Chairman since 1999)
- Milton Corporation Limited (appointed 1998, Chairman since 2002)
- Apex Healthcare Berhad (Appointed 2000)
- Australian Pharmaceutical Industries Limited (Appointed 2000)
- TPG Telecom Limited (appointed 2000)

Special Responsibilities:
- Chairman of the Board
- Chairman of the Investment Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

David Capp Hall, AM, FCA, FAICD – Independent Non-Executive Director

Mr Hall was appointed a Non-executive Director and Chair of the Audit Committee upon the Company's formation in October 2003. Mr Hall is a Chartered Accountant with experience in corporate management, finance and as a Company Director, holding Directorships in other companies for more than 30 years.

Special Responsibilities:
- Chairman of the Audit Committee
- Member of the Remuneration Committee

Ian Thomas Huntley, BA – Independent Non-Executive Director

Mr Huntley joined the Board as a Non-executive Director in February 2009. After a career in financial journalism, Mr Huntley acquired "Your Money Weekly" newsletter in 1973. Over the following 33 years, Mr Huntley built the Your Money Weekly newsletter into one of Australia's best known investment advisory publications. He and partners sold the business to Morningstar Inc of the USA in mid 2006.

Special Responsibilities:
- Member of the Investment Committee
- Member of the Remuneration Committee
- Member of the Audit Committee
- Member of the Nomination Committee

1. Directors (continued)

Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM –Non-Executive Director

Mr Payne was appointed a Non-executive Director upon the Company's formation in October 2003 and has been a member of the Audit Committee since then. Mr Payne was Chief Financial Officer of Brickworks Limited for 13 years and has considerable experience in finance and investment.

Special Responsibilities:

- Member of the Audit Committee
- Member of the Investment Committee
- Chairman of the Remuneration Committee
- Member of the Nomination Committee

2. Key Management Personnel

Jaime Pinto, BComm, CA - Company Secretary

Mr Pinto is a Chartered Accountant with extensive experience in both professional practice and in senior commercial roles across a broad range of industries. He is currently Company Secretary of Quickstep Holdings Limited (ASX:QHL), and is Company Secretary and CFO of a number of unlisted financial and industrial companies.

3. Meetings of Directors

Summarised below are the numbers of Board meetings and Committee meetings held during the year to 30 June 2020, and the numbers of meetings attended by each Director.

	Board[1]		Investment		Audit		Remuneration		Nomination[2]	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	8	8	11	11	-	-	2	2	1	1
AJ Payne	7	7	11	11	2	2	2	2	-	-
DC Hall	8	8	-	-	2	2	2	2	1	1
IT Huntley	7	7	11	11	2	2	2	2	1	1

1 The number of board meetings includes circular resolutions passed by the board during the year. It also includes a meeting of a special purpose sub-committee, which not all directors were invited to attend.

2 The sole meeting of the Nomination Committee was held in July 2019. Mr AJ Payne was not a member of the Committee at this time as he was scheduled for re-election as a Director under the Company's Director rotation policy. Subsequent to being re-elected as a Director at the 2019 AGM, Mr Payne was reappointed to the Nomination Committee, and Mr DC Hall resigned from the Committee as he is due for re-election as a Director at the 2020 AGM.

4. Principal Activities

Principal activities of the Group are that of a Listed Investment Company (LIC) primarily focused on long term investment in ASX listed securities. There were no significant changes in the nature of those activities during the year.

5. Operating Results

BKI's Total Ordinary Revenue from its investment portfolio was $45.4m, 13.3% lower than 2019, driving a 15.4% decrease in Net Operating Result before special investment revenue to $41.6m from $49.2m in 2019. Basic and diluted earnings per share before special dividend revenue was down 16.0% to 5.67 cents per share.

This result was negatively impacted by lower ordinary dividends received from Woodside Petroleum, AGL Energy, SEEK, Regis Healthcare, Transurban Group, New Hope Corporation, National Australia Bank and Macquarie Group. This was exacerbated in the second half of the year when Harvey Norman, Sydney Airport, ANZ Bank and Westpac Banking Corporation did not pay an ordinary dividend at all.

BKI realised $0.7m from its trading portfolio, after participating in the National Australia Bank and LendLease Limited capital raisings. With the RBA decreasing interest rates to 0.25% by the end of the financial year, BKI's interest received was only $0.6 m in FY2020, down 68% on FY2019.

Although special dividend revenue was down 74.3% on FY2019, BKI still received a healthy $7.2m in Special Dividend Revenue in FY2020, including special dividends from Telstra Corporation, Harvey Norman, Orora Limited, and TPG Australia.

The special dividends were declared by TPG Australia following the receipt of final court approval for its merger with VHA (Vodafone Hutchinson Australia). Shareholders in TPG Australia were rewarded with a $0.516 cps fully franked cash special dividend, generating $3.0m special dividend revenue for BKI in FY2020. In addition, BKI has recognized a further $1.9m fully franked special dividend in FY2020 as a result of an in-specie distribution of TUA shares. In July, as part of the merger, TPG Australia spun off Tuas Limited (TUA), who will be the owner of the TPG Singapore business, and as an existing shareholder of TPG Australia, BKI received one share in Tuas Limited via an In-Specie Dividend of Tuas shares for every two TPG Australia shares.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2020 was $48.6 million, down 35% on the previous corresponding period, with basic earnings per share, including special investment revenue, decreasing 35% to 6.63 cents per share.

Total Shareholder Return including franking credits for the year to 30 June 2020 was negative 5.0%, compared to the S&P/ASX 300 Accumulation Index, which returned negative 6.0% over the same period. BKI's Total Shareholder Return including Franking Credits for 15 years was 8.9% per annum compared to the S&P/ASX 300 Accumulation Index, which returned 8.4%.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2020 was negative 8.2%.

6. Review of Operations

Operating expenses remained steady at $2.0m (2019: $2.0m), with all cost categories in line with the previous year. As a result, BKI was able to maintain its MER at 0.17% for the year (2019: 0.17%).

BKI made a number of changes to the portfolio during FY2020, with investments of $127.7m and disposals of $90.7m.

Additional investments were made into existing holdings including BHP Limited, Macquarie Group, Amcor, Treasury Wine Estates, Harvey Norman Holdings, Transurban Group, New Hope Corporation, TPG Telecom, Sydney Airports and Woodside Petroleum, while a new position in Orora Limited was also established.

BKI reduced its holdings in National Australia Bank, Westpac Banking Corporation, IAG Limited, Suncorp Group, AGL Energy and Telstra Corporation, and completely divested holdings in Boral, Ampol (formerly Caltex), Challenger Limited, CIMIC Group and ANZ Banking Group.

7. Financial Position

Net assets of the Group decreased during the financial year to $1,047.9m (2019: $1,155.4m), primarily driven by a negative revaluation of the investment portfolio.

8. Employees

The Group had no employees as at 30 June 2020 (2019: nil).

9. Significant Changes in the State of Affairs

Other than as stated in this Directors' Report and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Group during the reporting year.

10. Likely Developments and Expected Results

The operations of the Group will continue with planned long term investments in Australian equities and fixed interest securities. The Group will continue its strategy of investing for the long term in a portfolio of assets to deliver shareholders an increasing income stream and long term capital growth. The success of this strategy will be strongly influenced by the performance of the underlying investee companies, their share price movements, and capital management and income distribution policies.

The performance of these companies will be influenced by general economic and market conditions such as economic growth rates, interest rates and inflation. Performance could also be influenced by regulatory change. These external conditions are difficult to predict and not within the control of the Group, making it difficult to forecast the future results of the Group.

As mentioned previously in this report, the advent of the COVID-19 economic crisis created significant social and economic upheaval in FY2020, causing extreme economic uncertainty across all industries globally, and resulting in extreme fluctuations in global sharemarkets. The social, economic and financial impacts of COVID-19 are expected to continue in FY2021, and we expect further changes in government policy and regulations in order to address these impacts. All of these changes will impact the intention and/or ability of companies to generate returns and pay dividends, including those companies in which BKI invests.

However, BKI is a research driven, long term manager focusing on investing in well managed, profitable companies. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends. The Group will continue to implement prudent business practice to allow the achievement of the Group's Corporate Objectives and Business Strategy.

11. Significant Events after Balance Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

i. the operations of the Company and the entities that it controls;

ii. the results of those operations; or

iii. the state of affairs of the Group in subsequent years.

12. Dividends

There were two dividend payments made during the year to 30 June 2020:

- On 29 August 2019, a final ordinary dividend of 3.700 cents per share and a final special dividend of 1.00 cents per share (both fully franked) totalling $34.3 million was paid out of retained profits at 30 June 2019.

- On 27 February 2020, an interim ordinary dividend of 3.625 cents per share (fully franked) totalling $26.6 million was paid out of retained profits at 31 December 2019.

In addition, the Directors declared a final ordinary dividend of 2.32 cents per share and a final special dividend of 1.00 cents per share, both fully franked at 30%, payable on 27 August 2020.

At 30 June 2020 there are $16,040,832 of franking credits available to the Group (2019: $14,691,000) after allowing for payment of the final, fully franked dividends.

13. Environmental Regulations

The Group's operations are not materially affected by environmental regulations.

14. Directors' and Officers' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by the *Corporations Act 2001*.

During the year to 30 June 2020, the Group paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities. The Directors have not included details of the nature of liabilities covered or the amount of premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

15. Proceedings on Behalf of the Group

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

16. Non-audit Services

During the year ended 30 June 2019 and the year ended 30 June 2020 MGI Sydney did not provide any non-audit services to the Group, nor did the Group pay any fees for such services.

17. Auditor's Independence Declaration

The Auditor's Independence Declaration for the year to 30 June 2020 is on page 52.

18. Beneficial and Relevant Interest of Directors and Other Key Management Personnel in Shares

As at the date of this report, details of Directors and Other Key Management Personnel who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

Name	Number of Shares
RD Millner	9,857,446
DC Hall	2,471,337
AJ Payne	430,000
IT Huntley	11,224,980
J Pinto	125,916

19. Corporate Governance Statement

BKI's Corporate Governance Statement can be found on the Company's website at the following address: http://bkilimited.com.au/about-us/corporate-governance/#cgs

20. Remuneration Report (Audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

The Company has externalised its investment management function to Contact Asset Management Pty Limited, and currently has no employees. In addition to the Directors, the only individual classified as Key Management Personnel is Mr Jaime Pinto, the Company Secretary, and there are no Other Key Executives.

Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements, including performance incentives, for the Directors themselves and the Company Secretary. It is the Group's objective to provide maximum shareholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and Key Management Personnel fairly and appropriately with reference to relevant employment market conditions, their performance, experience and expertise.

Elements of Director and Key Management Personnel (KMP) remuneration

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel of the Group is as follows:

- The remuneration policy is developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants.
- All Key Management Personnel are to receive a base fee, or salary and superannuation, combined with performance incentives.
- Performance incentives are only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of shares are intended to align the interests of the Key Management Personnel with those of the shareholders.
- The Remuneration Committee reviews the remuneration packages of Key Management Personnel annually by reference to the Group's performance, KMP performance and comparable information from industry sectors.

The performance of Key Management Personnel is measured against relative market indices and financial and strategic goals approved by the Board and as agreed with each KMP. Performance is measured on an ongoing basis using management reporting tools. Performance for the assessment of incentives is performed annually, based predominantly on the growth of shareholder and portfolio returns. The Board may exercise discretion in relation to approving incentives and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of KMP and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to Key Management Personnel is valued at the cost to the Group and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

BKI has previously established the BKI Incentive Scheme to form part of the remuneration packages of the Group's executive team.

The aims of the BKI Incentive Scheme are:
1. To promote superior performance at BKI over both the short and more importantly, long term.
2. To ensure remuneration is fair and reasonable market remuneration to reward staff.
3. To promote long term staff retention and alignment.

As at 1 July 2019 and as at the date of this report the only participant in the BKI Incentive Scheme was Mr Jaime Pinto.

To achieve the objectives of BKI, the BKI Incentive Scheme is required to include several components with separate measurement criteria.

Short Term Incentive

The Short Term Incentive is determined by reference to annual Total Portfolio Return compared to the S&P ASX 300 Accumulation Index. BKI's Total Portfolio Returns are measured by the change in pre tax NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends.

The Short Term Incentive is paid by way of BKI shares purchased on market by the Company.

For FY2020 the Short Term Incentive for the Company Secretary was set at 15,000 BKI shares.

100% of the Short Term Incentive is based on the Total Portfolio Returns as follows:

BKI Total Portfolio Return Compared to S&P/ASX 300 Acc Index	% of Eligible Bonus
Less than Index	0%
Equal to Index	100%
Plus 1%	110%
Plus 2%	120%
Plus 3%	130%
Plus 4%	140%
Plus 5% or more	150%

The Short Term Incentive is subject to discretionary Board adjustment for the achievement of improved Management Expense Ratio and promotion of BKI.

The following table summarises performance for the year to 30 June 2020 against the Short Term Incentive measurement criteria:

1 Year BKI Total Portfolio Return	S&P/ASX 300 Acc Index over 1 Year	Over / (Under) Performance	% Entitlement to Eligible Bonus
(8.2)%	(7.6)%	(0.6)%	Nil

The vesting criteria for the 2020 Financial Year Short Term Incentives were therefore not satisfied, and the Company did not award any short term incentives in respect of 2020 Financial Year Short Term incentives.

Long Term Incentive

The Long Term Incentive is determined by reference to annual Total Shareholder Returns; compared to the S&P/ASX 300 Accumulation Index. Total Shareholder Returns are based on the change in BKI Share Price and include the reinvestment of dividends.

For the year ended 30 June 2020, the Company Secretary's Long Term Incentive was set at 25,000 BKI shares. All outstanding Long Term Incentives granted are to be awarded to participants after 4 years provided that BKI's 4 year Total Shareholder Returns exceed the S&P/ASX 300 Accumulation Index over the same period. Should that test fail on the day, it is to be retested in Year 5.

DIRECTORS' REPORT - Continued

The Long Term Incentive Scheme is to be paid by way of BKI shares purchased on market by the Company. The Company accrues as an expense the appropriate portion of the future cost of all Long Term Incentives issued. Once an incentive has lapsed or it is probable that the incentive will not vest, the Company reverses prior year accruals previously recognised in respect of that Long Term Incentive. The net positive or negative expense is included in the disclosed remuneration of the Company Secretary.

During the 2020 Financial Year the following outstanding Long Term Incentives granted by the Company became eligible for vesting:

Incentive issue	Issue date	Number of rights granted	Value of initial grant	Initial vesting date	Expiry date	Number of rights vested	Number of rights yet to vest/ lapse
J Pinto 2016	01/07/2016	24,030	$37,800	30/06/2020	30/06/2021	Nil	-

The table below summarises the performance for the relevant four year period against the Long Term Incentive measurement criteria:

Period	4 year BKI total shareholder return	S&P/ASX 300 accumulation index over 4 years	Over/ (Under) performance	% Entitlement to eligible bonus
1/07/2016 to 30/06/2020	1.7%	7.3%	(5.6)%	nil

Based on the above performance the vesting criteria for Long Term Incentives issued on 1 July 2016 were not satisfied. In accordance with the terms of the Long Term Incentive Scheme, these incentives will be retested as at 30 June 2020.

During the 2020 Financial Year the following outstanding Long Term Incentives granted by the Company became eligible for retesting:

Incentive issue	Issue date	Number of rights granted	Value of initial grant	Initial vesting date	Expiry date	Number of rights vested	Number of rights yet to vest/ lapse
J Pinto 2016	01/07/2015	18,628	$31,500	30/06/2019	30/06/2020	Nil	-

The table below summarises the performance for the relevant five year period against the Long Term Incentive measurement criteria:

Period	5 year BKI total shareholder return	S&P/ASX 300 accumulation index over 5 years	Over/ (Under) performance	% Entitlement to eligible bonus
1/07/2015 to 30/06/2020	1.2%	6.0%	(4.8)%	nil

Based on the above performance the vesting criteria for Long Term Incentives issued on 1 July 2015 were not satisfied. In accordance with the terms of the Long Term Incentive Scheme, these incentives lapsed as at 30 June 2020.

No outstanding Long Term Incentives granted by the Company became eligible for vesting between 1 July 2020 and the date of this report.

The following table summarises movements in Long Term Incentives granted by the Company that have not vested or lapsed as at the date of this report:

Incentive issue	Issue date	Number of rights granted	Value of initial grant	Initial vesting date	Expiry date	Number of rights vested/ lapsed	Number of rights yet to vest/ lapse

J Pinto 2017	01/07/2016	24,030	$37,800	30/06/2020	30/06/2021	-	24,030
J Pinto 2018	01/07/2017	25,000	$41,385	30/06/2021	30/06/2022	-	25,000
J Pinto 2019	01/07/2018	25,000	$38,040	30/06/2022	30/06/2023	-	25,000
J Pinto 2020	01/07/2019	25,000	$38,678	30/06/2023	30/06/2024	-	25,000
J Pinto 2021	01/07/2020	25,000	$35,943	30/06/2024	30/06/2025	-	25,000

Rights granted under the Short Term and a Long Term Incentive Scheme do not carry an entitlement to receive dividends.

Remuneration Details for the Year to 30 June 2020

The following disclosures detail the remuneration of the Directors and the highest remunerated Executives of the Group.

The names and positions held of group Directors and Other Key Management Personnel in office at any time during the financial year are:

Name	***Position***
RD Millner	Non-Executive Chairman
DC Hall AM	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
JP Pinto[1]	Company Secretary[1]

1 Services provided under contract through Corporate & Administrative Services Pty Limited

Details of the nature and amount of each Non–Executive Director's and Other Key Management Personnel's emoluments from the Parent and its controlled entities in respect of the year to 30 June are as follows:

Directors:

	Primary fee $	**Superannuation $**	**Total $**
2019			
RD Millner	68,196	6,479	74,675
DC Hall	52,717	5,008	57,725
AJ Payne[1]	29,080	18,044	47,124
IT Huntley	43,037	4,088	47,125
Total	**193,030**	**33,619**	**226,649**
2020			
RD Millner	69,041	6,559	75,600
DC Hall	53,379	5,071	58,450
AJ Payne[1]	43,562	4,138	47,700
IT Huntley	43,562	4,138	47,700
Total	**209,544**	**19,906**	**229,450**

1 – Includes salary sacrifice superannuation contributions

The combined annual payment to all Non-Executive Directors is capped at $300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided among the Directors as they may determine.

Other Key Management Personnel:

	Fixed remuneration			Share based performance related remuneration			
	Salary	**Super-annuation**	**Total**	**STI**	**LTI**	**Total**	**Total Remuneration**
2019							
J Pinto	-	-	-	-	8,442	8,442	8,442
Total	**-**	**-**	**-**	**-**	**8,442**	**8,442**	**8,442**
2020							
J Pinto	-	-	-	-	2,752	2,752	2,752
Total	**-**	**-**	**-**	**-**	**2,752**	**2,752**	**2,752**

The value included in the preceding table for share based performance related remuneration (STI and LTI) is the portion of the estimated value of the performance rights which has been allocated as an expense in each relevant reporting period. It does not reflect the value of rights to BKI shares (if any) vested during that period.

The relative proportions of Total Remuneration that are fixed or linked to performance are as follows:

	Fixed remuneration		Performance-related - STI		Performance-related - LTI	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
J Pinto	0%	0%	0%	0%	100%	100%

There were no retirement allowances provided for the retirement of Non-Executive Directors or Other Key Management Personnel.

Contract of Employment

Mr J Pinto provides Company Secretarial services under contract through Corporate & Administrative Services Pty Limited. This is an open ended contract with a notice period of one month required to terminate.

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

Robert D Millner
Director

Sydney
16 July 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Ordinary revenue from investment portfolio	2(a)	**45,368**	52,310
Revenue from bank deposits	2(c)	**614**	1,944
Other income	2(d)	**2**	-
Other gains	2(e)	**748**	-
Income from operating activities before special investment revenue		**46,732**	54,254
Operating expenses	3	**(2,034)**	(2,047)
Operating result before income tax expense and special investment revenue		**44,698**	52,207
Special investment revenue	2(b)	**7,182**	27,977
Operating result before income tax expense		**51,880**	80,184
Income tax expense	4(a)	**(3,258)**	(5,484)
Net operating profit		**48,622**	74,700
Profit for the year attributable to members of the Company		**48,622**	74,700

	Note	2020 Cents	2019 Cents
Basic and diluted earnings per share before special dividend revenue (net of applicable tax)	6	**5.67**	6.75
Basic and diluted earnings per share after special dividend revenue (net of applicable tax)	6	**6.63**	10.26

This Income Statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Profit for the year attributable to members of the Company		**48,622**	74,700
Other comprehensive income			
Unrealised (losses)/gains on investment portfolio		**(128,339)**	43,504
Deferred tax benefit/(expense) on unrealised losses/gains on investment portfolio		**38,502**	(13,051)
Realised losses on investment portfolio		**(18,963)**	(13,474)
Tax benefit relating to realised losses on investment portfolio	*4(a)*	**5,689**	4,042
Total other comprehensive income		**(103,111)**	21,021
Total comprehensive (loss) income		**(54,489)**	95,721

This Statement of Other Comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	7	**48,290**	88,856
Trade and other receivables	8	**11,079**	9,165
Prepayments		**45**	23
Total current assets		**59,414**	98,044
Non-current assets			
Investment portfolio	9	**1,025,474**	1,136,573
Property, plant & equipment		**1**	-
Deferred tax assets	10	**25,744**	20,230
Total non-current assets		**1,051,219**	1,156,803
Total assets		**1,110,633**	1,254,847
Current liabilities			
Trade and other payables		**312**	307
Current tax liabilities	11	**2,438**	1,272
Total current liabilities		**2,750**	1,579
Non-current liabilities			
Deferred tax liabilities	12	**59,976**	97,840
Total non-current liabilities		**59,976**	97,840
Total liabilities		**62,726**	99,419
Net assets		**1,047,907**	1,155,428
Equity			
Share capital	13	**924,130**	916,233
Revaluation reserve	14	**130,657**	220,494
Realised capital gains reserve	15	**(52,176)**	(38,902)
Retained profits	16	**45,296**	57,603
Total equity		**1,047,907**	1,155,428

This Statement of Financial Position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital $'000	Revaluation reserve $'000	Realised capital gains reserve $'000	Retained profits $'000	Total equity $'000
Total equity at 1 July 2018	908,015	190,041	(29,467)	47,025	1,115,615
Issue of shares, net of issue costs	8,218	-	-	-	8,218
Dividends paid or provided for	-	-	-	(64,122)	(64,122)
Unrealised gain on revaluation of investment portfolio	-	43,504	-	-	43,504
Provision for tax on unrealised gain on revaluation of investment portfolio	-	(13,051)	-	-	(13,051)
Realised gains transferred on deregistration of subsidiaries	-	-	(3)	-	(3)
Net operating profit for the year	-	-	-	74,700	74,700
Net realised loss through other comprehensive income	-	-	(9,432)	-	(9,432)
Total equity at 30 June 2019	**916,233**	**220,494**	**(38,902)**	**57,603**	**1,155,428**
Total equity at 1 July 2019	916,233	220,494	(38,902)	57,603	1,155,428
Issue of shares, net of issue costs	7,897	-	-	-	7,897
Dividends paid or provided for	-	-	-	(60,929)	(60,929)
Unrealised loss on revaluation of investment portfolio	-	(128,339)	-	-	(128,339)
Provision for tax on unrealised loss on revaluation of investment portfolio	-	38,502	-	-	38,502
Net operating profit for the year	-	-	-	48,622	48,622
Net realised loss through other comprehensive income	-	-	(13,274)	-	(13,274)
Total equity at 30 June 2020	**924,130**	**130,657**	**(52,176)**	**45,296**	**1,047,907**

This Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Dividends and distributions received		**50,727**	73,551
Other receipts in the course of operations		**2**	-
Payments to suppliers and employees		**(2,045)**	(2,893)
Proceeds from sale of trading portfolio		**5,409**	-
Payments for trading portfolio		**(4,662)**	-
Interest received		**729**	1,870
Income tax paid		**(1,234)**	(1,154)
Net cash inflow from operating activities	*17(a)*	**48,926**	71,374
Cash flows from investing activities			
Proceeds from sale of investment portfolio		**90,732**	76,633
Payments for investment portfolio		**(127,711)**	(181,937)
Capital returns received from investment portfolio		**527**	1,130
Net cash outflow from investing activities		**(36,452)**	(104,174)
Cash flows from financing activities			
Proceeds from issues of ordinary shares less issue costs		**(26)**	(31)
Dividends paid	*5(b)*	**(53,014)**	(55,883)
Net cash outflow from financing activities		**(53,040)**	(55,914)
Net decrease in cash held		**(40,566)**	(88,714)
Cash at the beginning of the year		**88,856**	177,570
Cash at the end of the year	*7*	**48,290**	88,856

This Cash Flow Statement should be read in conjunction with the accompanying notes

1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the parent entity of BKI Investment Company Limited and its controlled entities, with information relating to BKI Investment Company Limited as an individual parent entity summarised in Note 22. BKI Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The Group has attempted to improve the transparency of its reporting by adopting ‘plain English’ where possible. Key ‘plain English’ phrases and their equivalent AASB terminology are as follows:

Phrase	**AASB Terminology**
Market Value	Fair Value for Actively Traded Securities
Cash	Cash and Cash Equivalents
Share Capital	Contributed Equity

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity BKI Investment Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 21(i) to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

1. Summary of Significant Accounting Policies (continued)

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BKI Investment Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 12 December 2003. The tax consolidated group has entered a tax sharing agreement whereby each entity in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

The Group has two portfolios of securities, the investment portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis and the trading portfolio comprises securities held for short term trading purposes.

Securities within the investment portfolio are classified as ‘financial assets measured at fair value through other comprehensive income’, and are designated as such upon initial recognition. Securities held within the trading portfolio are classified as ‘mandatorily measured at fair value through profit or loss’ in accordance with AASB 9.

1. Summary of Significant Accounting Policies (continued)

c. Financial Instruments (continued)

Valuation of investment portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are re-valued to market values continuously. Movements in carrying values of securities are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

Where disposal of an investment occurs, any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve.

Valuation of trading portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are re-valued to market values continuously.

Movements in carrying values of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

Fair value

Fair value is determined based on last sale price for all quoted investments.

d. Employee Benefits

Share incentives

Share incentives are provided under the Short and Long Term Incentive Plans (the Plans). The incentives awarded under the Plans are based on the performance of the Group over differing periods specified within the rules of the Plans. The Plans are settled in shares, but based on a cash amount.

Expenses are recognised over the assessment period based on the amount expected to be payable under the Plans, resulting in a provision for incentive payable being built up on the balance sheet over the assessment period. In the event that the executive does not complete the period of service, or the vesting criteria are not satisfied within the required period, the cumulative expense is reversed.

e. Revenue

Sale of investments occurs when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend and distribution revenue is recognised when the right to receive a dividend or distribution has been established.

All revenue is stated net of the amount of goods and services tax (GST).

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts.

1. Summary of Significant Accounting Policies (continued)

g. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

h. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments. The Group operates solely in the securities industry in Australia and has no reportable segments.

i. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where a retrospective restatement of items in the statement of financial position has occurred, presentation of the statement as at the beginning of the earliest comparative period has been included.

j. Rounding of Amounts

The parent has applied the relief available to it under ASIC Corporations Instrument (Rounding in Financial / Directors' Reports) 2016/191 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest $1,000.

k. Critical Accounting Estimates and Judgments

Deferred Tax Balances

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Group's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%.

As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 12. In addition, the tax liability that arises on disposal of those securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

1. Summary of Significant Accounting Policies (continued)

l. New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following new Accounting Standards and Interpretations issued by the AASB have become effective in the current accounting period.

AASB 16 Leases

AASB 16 *Leases* supersedes the previous lease accounting requirements in AASB 117: *Leases* and the related Interpretations. It introduced a single lessee accounting model by eliminating the requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership.

The Group does not have any arrangements that satisfy the definition of a Lease, and therefore the adoption of this standard has not had an impact on the financial performance or position of the Group.

m. Australian Accounting Standards not yet effective

The Group has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2020 (“the inoperative standards”). The Group only intends to adopt the inoperative standards at the date at which their adoption becomes mandatory.

	2020 $'000	2019 $'000
2. Revenues		
(a) Ordinary revenue from investment portfolio		
Fully franked dividends	**34,206**	41,878
Unfranked dividends	**4,606**	3,679
Trust distributions	**6,556**	6,753
Total ordinary revenue from investment portfolio	**45,368**	52,310
(b) Special investment revenue		
Fully franked dividends	**6,724**	19,886
Unfranked dividends	**458**	8,091
Total special investment revenue	**7,182**	27,977
(c) Revenue from bank deposits		
Interest received	**614**	1,944
(d) Other income		
Other income	**2**	-
(e) Other gains		
Net realised gain on sale of investments held for trading	**748**	-
Total income	**53,914**	82,231

	2020 $'000	2019 $'000
3. Operating expenses		
Administration expenses	**454**	459
Employment expenses	**232**	235
Investment Management	**1,188**	1,194
Professional fees	**160**	159
Total operating expenses	**2,034**	2,047

	2020 $'000	2019 $'000
4. Tax expense		
(a) Reconciliation of income tax expense		
The aggregated amount of income tax expense attributable to the year differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:		
Operating result before income tax expense, including special investment revenue	**51,880**	80,184
Tax calculated at 30% (2019: 30%)	**15,564**	24,055
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Franked dividends and distributions received	**(12,279)**	(18,520)
- Prior year over provision	**(27)**	(51)
Net income tax expense on operating profit before net gains on investments	**3,258**	5,484
Net realised losses on investment portfolio	**(18,963)**	(13,474)
Tax calculated at 30% (2019: 30%)	**(5,689)**	(4,042)
Total tax expense	**(2,431)**	1,442
(b) The components of tax expense comprise:		
Current tax	**3,356**	4,161
Deferred tax	**(5,760)**	(2,668)
Prior year over provision	**(27)**	(51)
Total tax expense	**(2,431)**	1,442

	2020 $'000	2019 $'000
5. Dividends		
(a) Dividends paid during the year		
Final ordinary dividend for the year ended 30 June 2019 of 3.70 cents per share (2018: 3.70 cents per share) fully franked at the tax rate of 30%, paid on 29 August 2019	**27,036**	26,837
Final special dividend for the year ended 30 June 2019 of 1.00 cents per share (2018: nil) fully franked at the tax rate of 30%, paid on 29 August 2019	**7,306**	-
Interim ordinary dividend for the year ended 30 June 2020 of 3.625 cents per share (2019: 3.625 cents per share) fully franked at the tax rate of 30%, paid on 27 February 2020	**26,587**	26,372
Interim special dividend of $nil (2019: 1.50 cents per share, fully franked at the tax rate of 30%)	**-**	10,913
Total dividends paid	**60,929**	64,122
(b) Reconciliation of total dividends paid to dividends paid in cash:		
Total dividends paid	**60,929**	64,122
Less: Dividends reinvested in shares via DRP	**(7,915)**	(8,239)
Dividends paid in cash	**53,014**	55,883
(c) Franking account balance		
Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	**26,506**	29,409
Estimated impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (refer below)	**(10,465)**	(14,718)
Net imputation credits available for future dividends	**16,041**	14,691
Maximum fully franked dividends payable from available franking credits at the tax rate of 30% (2019: 30%)	**37,429**	34,278

(d) Dividends declared after balance date

Since the end of the year the Directors have declared a final ordinary dividend for the year ended 30 June 2020 of 2.32 cents per share and a special dividend of 1.00 cents per share, both fully franked at the tax rate of 30% (2019: final ordinary dividend of 3.70 cents per share and special dividend of 1.00 cents per share, both fully franked at the tax rate of 30%), payable on 27 August 2020, but not recognised as a liability at the year end.

	2020 $'000	2019 $'000
6. Earnings per share		
(a) Calculation of earnings		
Net operating profit	**48,622**	74,700
Earnings used in calculating basic and diluted earnings per share ***after*** special dividend income	**48,622**	74,700
Less: Special investment revenue	**(7,182)**	(27,977)
Add: Tax expense attributable to special investment revenue	**138**	2,427
Earnings used in calculating basic and diluted earnings per share ***before*** special dividend income	**41,578**	49,150

b) Number of shares

	2020 No. '000	2019 No. '000
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share, before and after special dividend income	**733,696**	728,234

c) Earnings per share

	2020 Cents	2019 Cents
Basic and diluted earnings per share ***before*** special dividend income	**5.67**	6.75
Basic and diluted earnings per share ***after*** special dividend income	**6.63**	10.26

	2020 $'000	2019 $'000
7. Cash and cash equivalents		
Cash at bank	**48,290**	65,856
Short term bank deposits	**-**	23,000
	48,290	88,856

	2020 $'000	2019 $'000
8. Trade and other receivables		
Dividends and distributions receivable	**10,655**	8,833
Capital returns receivable	**248**	-
Interest receivable	**-**	116
Other	**176**	216
	11,079	9,165

	2020 $'000	2019 $'000
9. Financial Assets – Equity Portfolio		
Investment portfolio – non-current		
Listed securities at fair value available for sale	**1,025,474**	1,136,573
Total investment portfolio	**1,025,474**	1,136,573

Fair Value Measurement

BKI measures the fair value of its trading portfolio and investment portfolio with reference to the following fair value measurement hierarchy mandated by accounting standards:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Both the trading portfolio and investment portfolio are classified as Level 1, and are measured in accordance with the policy outlined in Note 1.c.

10. Deferred tax assets

The deferred tax asset balance comprises the following timing differences and unused tax losses:

	2020 $'000	2019 $'000
Transaction costs on equity issues	**510**	778
Accrued expenses	**34**	32
Realised capital tax losses	**25,200**	19,420
Total	**25,744**	20,230

10. Deferred tax assets (continued)

Movements in deferred tax assets

	Opening balance $'000	Credited/ (charged) to statement of comprehensive income $'000	Credited/ (charged) to equity $'000	Closing balance $'000
Transaction costs on equity issues	1,063	(294)	9	778
Accrued expenses	29	3	-	32
Realised capital tax losses	16,140	3,280	-	19,420
Balance as at 30 June 2019	**17,232**	**2,989**	**9**	**20,230**
Transaction costs on equity issues	778	(276)	8	510
Accrued expenses	32	2	-	34
Realised capital tax losses	19,420	5,780	-	25,200
Balance as at 30 June 2020	**20,230**	**5,506**	**8**	**25,744**

	2020 $'000	2019 $'000
11. Current tax liabilities		
Provision for income tax	**2,438**	1,272
12. Deferred tax liabilities		
The deferred tax asset balance comprises the following timing differences:		
Revaluation of investments held	**58,853**	96,463
Unfranked dividends receivable and interest receivable	**1,123**	1,377
Total	**59,976**	97,840

Movements in deferred tax liabilities

	Opening balance $'000	(Credited)/ charged to statement of comprehensive income $'000	(Credited)/ charged to equity $'000	Closing balance $'000
Revaluation of investment portfolio	81,191	-	15,272	96,463
Unfranked dividends receivable and interest receivable	1,056	321	-	1,377
Balance as at 30 June 2019	**82,247**	**321**	**15,272**	**97,840**
Revaluation of investment portfolio	96,463	-	(37,610)	58,853
Unfranked dividends receivable and interest receivable	1,377	(254)	-	1,123
Balance as at 30 June 2020	**97,840**	**(254)**	**(37,610)**	**59,976**

	2020 $'000	2019 $'000
13. Share Capital		
(a) Issued and paid-up capital		
735,513,845 ordinary shares fully paid (2019: 730,688,257)	**924,130**	916,233

(b) Movement in ordinary shares

	2020 Number of shares	2020 $'000	2019 Number of shares	2019 $'000
Beginning of financial year	**730,688,257**	**916,233**	725,311,402	908,015
Issued during the year:				
- dividend reinvestment plan	**4,825,588**	**7,915**	5,376,855	8,239
Gross funds raised		**7,915**		8,239
- less net transaction costs		**(18)**		(21)
End of financial year	**735,513,845**	**924,130**	730,688,257	916,233

The Parent does not have an authorised share capital and the ordinary shares on issue have no par value.

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Capital Management

The Group's objective in managing capital is to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested, with goals of paying an enhanced level of fully franked dividends and providing attractive total returns over the medium to long term.

The Group recognises that its capital will fluctuate in accordance with market conditions, and in order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid, issue new shares from time-to-time or return capital to shareholders.

The Group's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2020 net debt was $Nil (2019: $Nil).

(d) Acquisition of controlled entities

The Company did not acquire shares in any unlisted investment companies during the 2019FY or 2020FY.

	2020 $'000	2019 $'000
14. Revaluation reserve		
The revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio, net of applicable income tax.		
Balance at the beginning of the year	**220,494**	190,041
Gross revaluation of investment portfolio	**(128,339)**	43,504
Deferred provision for tax on unrealised gains/losses	**38,502**	(13,051)
Balance at the end of the year	**130,657**	220,494
15. Realised capital gains reserve		
The realised capital gains reserve records net gains and losses after applicable income tax arising from the disposal of securities in the investment portfolio.		
Balance at the beginning of the year	**(38,902)**	(29,467)
Net losses on investment portfolio transferred from statement of Comprehensive income	**(13,274)**	(9,432)
Realised gains transferred to retained earnings on deregistration of subsidiaries	**-**	(3)
Balance at the end of the year	**(52,176)**	(38,902)
16. Retained profits		
Balance at the beginning of the year	**57,603**	47,025
Net profit attributable to members of the Company	**48,622**	74,700
Dividends provided for or paid	**(60,929)**	(64,122)
Balance at the end of the year	**45,296**	57,603

17. Notes to the statement of cash flows

(a) Reconciliation of cash flow from operating activities to net operating profit

	2020 $'000	2019 $'000
Net operating profit	**48,622**	74,700
Non cash items:		
- Non-cash dividend income	**-**	(8,091)
Changes in assets and liabilities, net of effects from consolidation of subsidiaries:		
- (Increase)/decrease in trade and other operating receivables	**(1,666)**	1,397
- Increase in prepayments	**(22)**	(7)
- Decrease in deferred tax assets	**380**	435
- Increase/(decrease) payables	**5**	(1,083)
- Increase in current tax liabilities	**1,166**	863
- Increase in deferred tax liabilities	**441**	3,160
Net cash inflow from operating activities	**48,926**	71,374

17. Notes to the statement of cash flows (continued)

(b) Non-cash financing and investing activities

(i) Dividend reinvestment plan
Under the terms of the dividend reinvestment plan, $7,915,000 (2019: $8,240,000) of dividends were paid via the issue of 4,825,588 shares (2019: 5,376,855).

18. Management of Financial Risk

The risks associated with the holding of financial instruments such as investments, cash, bank bills and borrowings include market risk, credit risk and liquidity risk. The Board has approved the policies and procedures that have been established to manage these risks. The effectiveness of these policies and procedures is reviewed by the Audit Committee.

a. Financial instruments' terms, conditions and accounting policies
The Group's accounting policies are included in Note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

b. Net fair values
The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

c. Credit risk
The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Group's financial assets, excluding investments, is the carrying amount of those assets. The Group's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

Cash and bank bills are reviewed monthly by the Board to ensure cash is only placed with pre-approved financial institutions with low risk profiles (primarily "Big 4" banks) and that the spread of cash and bank bills between banks is within agreed limits. Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired.

d. Market risk
Market risk is the risk that changes in market prices will affect the fair value of a financial instrument.

The Group is a long term investor in companies and trusts and is therefore exposed to market risk through the movement of the share/unit prices of the companies and trusts in which it is invested.

The market value of the portfolio changes continuously because the market value of individual companies within the portfolio fluctuates throughout the day. The change in the market value of the portfolio is recognised through the Revaluation Reserve. Listed Investments represent 92% (2019: 91%) of total assets.

18. Management of Financial Risk (continued)

d. Market risk (continued)

As at 30 June 2020, a 5% movement in the market value of the BKI portfolio would result in:

- a 5% movement in the net assets of BKI before provision for tax on unrealised capital gains (2019: 5%); and
- A movement of 7.0 cents per share in the net asset backing before provision for tax on unrealised capital gains (2019: 7.8 cents).

The performance of the companies within the portfolio, both individually and as a whole, is monitored by the Investment Committee and the Board.

BKI seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one sector of the market.

At 30 June 2020 and 30 June 2019, the spread of investments was in the following sectors:

	Percentage of total investment (%)		Amount ($'000)	
	2020	2019	**2020**	2019
Financials	**29.86**	36.54	**323,885**	451,105
Industrials	**10.51**	9.93	**113,984**	122,515
Consumer discretionary	**9.08**	7.66	**98,526**	94,591
Materials	**8.97**	5.72	**97,225**	70,461
Consumer staples	**8.15**	6.06	**88,467**	74,679
Utilities	**7.86**	6.69	**85,260**	82,552
Telecommunications services	**7.02**	5.39	**76,196**	66,589
Health care	**6.09**	5.51	**66,051**	67,925
Energy	**4.62**	6.49	**49,961**	80,167
Property	**2.38**	2.10	**25,920**	25,987
Total investments	**94.54**	92.09	**1,025,474**	1,136,573
Cash and dividends receivable	**5.46**	7.91	**59,193**	97,689
Total portfolio	**100.00**	100.00	**1,084,667**	1,234,262

Securities representing over 5% of the investment portfolio at 30 June 2020 or 30 June 2019 were:

	Percentage of total investment (%)		Amount ($'000)	
	2020	2019	**2020**	2019
Macquarie Group	**7.2**	5.0	**77,703**	61,412
Commonwealth Bank	**6.6**	6.7	**71,504**	82,154
BHP Group	**6.4**	4.5	**68,954**	55,257
APA Group	**5.9**	4.3	**64,225**	52,863
Transurban Group	**5.3**	4.4	**56,966**	54,502
National Australia Bank	**3.6**	5.4	**39,102**	67,045

The relative weightings of the individual securities and relevant market sectors are reviewed at each meeting of the Investment Committee and the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

18. Management of Financial Risk (continued)

e. Interest Rate Risk

The Group is not materially exposed to interest rate risk. All cash investments are short term (up to 1 year) for a fixed rate, except for cash in operating bank accounts which are at-call and attract variable rates.

The Group has no financial liability as at 30 June 2020 (2019: Nil).

f. Foreign Currency Risk

The Group is not exposed to foreign currency risk as all investments are quoted in Australian dollars.

g. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations as they fall due.

The Group has no borrowings, and sufficient cash reserves to fund core operations at current levels for more than 10 years.

The Group's other major cash outflows are the purchase of securities and dividends paid to shareholders and the level of both of these is fully controllable by the Board.

Furthermore, the majority of the assets of the Group are in the form of readily tradeable securities which can be sold on-market if necessary.

h. Capital risk management

The Group invests its equity in a diversified portfolio of assets that aim to generate a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital is increased annually through the issue of shares under the Dividend Reinvestment Plan. Other means of increasing capital include Rights Issues, Share Placements and Share Purchase Plans.

19. Key Management Personnel Remuneration

The names and positions held of Group Directors and Other Key Management Personnel in office at any time during the financial year are:

Name	***Position***
RD Millner	Non-Executive Chairman
DC Hall AM	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
JP Pinto	Company Secretary[1]

1 Services provided under contract through Corporate & Administrative Services Pty Limited

Details of the nature and amount of each Non–Executive Director's and Other Key Management Personnel's emoluments from the Group in respect of the year to 30 June 2020 have been included in the Remuneration Report section of the Directors' Report.

The combined annual payment to all Non-Executive Directors is capped at $300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as the Board may determine. These fees exclude any additional fee for any service-based agreement which may be agreed from time to time and the reimbursement of out of pocket expenses. No such payments were made in FY2020 (2019: nil).

20. Superannuation Commitments

The Group contributes superannuation payments on behalf of Directors and employees in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and employees and are independent of the Group.

21. Related Party Transactions

Related parties of the Group fall into the following categories:

(i) Controlled Entities

At 30 June 2020, subsidiaries of the Parent were:

	Country of incorporation	Percentage Owned (%)	
		2020	2019
Brickworks Securities Pty Limited	Australia	**100**	100
Huntley Investment Company Pty Limited	Australia	**100**	100
BKI Sub Pty Limited	Australia	**100**	100
Pacific Strategic Investments Pty Limited	Australia	**100**	100

There were no transactions between the Parent and controlled entities in FY2020. In FY2019 transactions between the Parent and controlled entities consisted of transfers of investment holdings from subsidiaries to the parent entity.

There are loan balances due from the Parent to controlled entities. No interest is charged on the loan balance by the controlled entities and no repayment period is fixed for the loan.

(ii) Directors/Officers Related Entities

Persons who were Directors/Officers of BKI Investment Company Limited for the year ended 30 June 2020 were:

Directors: RD Millner
DC Hall, AM
AJ Payne
IT Huntley

Company Secretary: JP Pinto[1]

1 Services provided under contract through Corporate & Administrative Services Pty Limited

Corporate & Administrative Services Pty Limited
Corporate & Administrative Services Pty Limited (**CAS**), an entity in which Mr RD Millner has an indirect interest, provides the Group with administration, company secretarial and accounting services, including preparation of all financial accounts.

Fees paid to CAS for services provided to the Parent and controlled entities for the year to 30 June 2020 were $122,100 (2019: $122,100, including GST) and are at standard market rates. As at 30 June 2020 the Group owed $nil to CAS (2019: $nil).

21. Related Party Transactions (continued)

(ii) Directors/Officers Related Entities (continued)

Contact Asset Management Pty Limited
Contact Asset Management Pty Limited (**Contact**) is the Investment Manager of the Group. Contact is an entity in which Mr RD Millner has an indirect interest.

Fees payable to Contact for services provided to the Parent and controlled entities for the year to 30 June 2020 were $1,275,159 including GST (2019: $1,281,319) and are at standard market rates. As at 30 June 2020 the Group owed $99,461 to Contact (2019: $113,174).

(iii) Transactions in securities

Share Holdings

Aggregate number of listed securities of the Company held by Key Management Personnel (KMP) or their related entities:

	Balance as at 1 July	Granted as compensation	Net other changes	Balance as at 30 June	Net movements post balance date	Balance as at date of Annual Report
2020						
RD Millner	8,810,842	-	1,046,604	9,857,446	-	9,857,446
DC Hall	2,460,607	-	10,730	2,471,337	-	2,471,337
AJ Payne	414,056	-	15,944	430,000	-	430,000
IT Huntley	11,224,980	-	-	11,224,980	-	11,224,980
J Pinto	119,761	-	6,155	125,916	-	125,916
Total	23,030,246	-	1,079,433	24,109,679	-	24,109,679
2019						
RD Millner	8,488,231	-	322,611	8,810,842	-	8,810,842
DC Hall	2,460,607	-	-	2,460,607	-	2,460,607
AJ Payne	379,056	-	35,000	414,056	-	414,056
IT Huntley	11,224,980	-	-	11,224,980	-	11,224,980
J Pinto	113,154	-	6,607	119,761	-	119,761
Total	22,666,028	-	364,218	23,030,246	-	23,030,246

Directors acquired shares through the Dividend Reinvestment Plan, and/or on-market purchase.

Other Key Management Personnel acquired shares through the Dividend Reinvestment Plan.

All KMP or their associated entities, being shareholders, are entitled to receive dividends.

	2020 $'000	2019 $'000
22. Parent company information		
Information relating to the parent entity of the Group, BKI Investment Company Limited:		
Current assets	**59,413**	98,044
Non-current assets	**1,252,571**	1,358,155
Total assets	**1,311,984**	1,456,199
Current liabilities	**2,670**	1,499
Non-current liabilities	**269,368**	307,232
Total liabilities	**272,038**	308,731
Issued capital	**924,130**	916,233
Reserves	**115,817**	231,236
Total shareholders' equity	**1,039,947**	1,147,469
Net operating profit	**48,622**	75,169
Total other comprehensive income	**(103,111)**	21,021

The parent company has no contingent liabilities as at 30 June 2020.

23. Capital and Leasing Commitments

The Group has no capital and leasing commitments as at 30 June 2020.

24. Auditors' Remuneration

During the financial year the following fees were paid or payable for services provided to the Group by the auditor of the Group.

	2020	2019
Auditing the financial report of the Parent and the controlled entities	**27**	26
Total remuneration for audit and other assurance services	**27**	26
Other non-audit services	**-**	-
Total remuneration of the auditor of the Group	**27**	26

25. Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2020.

26. Authorisation

The financial report was authorised for issue on 16 July 2020 by the Board of Directors.

DIRECTORS' DECLARATION

The Directors of BKI Investment Company Limited declare that:

1. the financial statements and notes, as set out on pages 23 to 46, are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the Corporations Regulations; and

    b. comply with International Financial Reporting Standards, as stated in note 1 to the financial statements

    c. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated entity;

2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. this declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2020.

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

Robert D Millner
Director

Sydney
16 July 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BKI INVESTMENT COMPANY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of BKI Investment Company Limited and Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the consolidated entity comprising BKI Investment Company Limited and the entities it controlled at the year's end or from time to time during the year.

In our opinion, the accompanying financial report of BKI Investment Company Limited and its Controlled Entities, is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

c) the financial report also complies with the *International Financial Reporting Standards* as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of BKI Investment Company Limited 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BKI Investment Company Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation and Existence of Investments The investment portfolio at 30 June 2020 comprised of listed equity investments of $**1,025.47** million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value disclosed on the Consolidated Statement of Financial Position in the financial report.	We tested the valuation of a representative sample of listed investments by vouching the share prices to external market information to ensure they are fairly stated. We agreed the existence of a representative sample of listed investments by confirming shareholdings with share registries. No material differences were identified.
Revenue from Investments ASAs presume there are risks of fraud in revenue recognition unless rebutted. We focused on the cut-off, accuracy and completeness of dividend revenue and dividend receivables	We assessed the accounting policy for revenue recognition for compliance with the accounting standards and performed testing to ensure that revenue had been accounted for in accordance with the accounting policy. We found that the accounting policies implemented were in accordance with the accounting standards, and that revenue has been accounted for in accordance with the accounting policy. We tested the accuracy and completeness of dividend revenue by agreeing the dividends and distributions of a representative sample of investments to supporting documentation obtained from share registries. We tested the cut-off and completeness of dividend revenue and dividend receivables by checking the dividend details of a representative sample of investments from external market information and ensured that dividends that were declared before, but payable after, the reporting date were recorded. No material differences were identified.

Other Information

The directors of BKI Investment Company Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of BKI Investment Company Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 23 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of BKI Investment Company Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of BKI Investment Company Limited and Controlled Entities for the year ended 30 June 2020 included on BKI Investment Company Limited's web site. The directors of the Company are responsible for the integrity of BKI Investment Company Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

MGI Sydney Assurance Services

MGI Sydney Assurance Services Pty Limited
Chartered Accountants

Clayton Lawrence
Director

Sydney, 16 July 2020

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BKI INVESTMENT COMPANY LIMITED AND CONTROLLED ENTITIES
ABN: 23 106 719 868

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BKI INVESTMENT COMPANY LIMITED AND CONTROLLED ENTITIES

As lead auditor for the audit of BKI Investment Company Ltd and Controlled Entities for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

MGI Sydney Assurance Services

Name of Firm: MGI Sydney Assurance Services Pty Limited

Chartered Accountants

Name of Auditor: ______________________________

Clayton Lawrence
Director

Address: Level 5, 6 O'Connell Street, Sydney NSW 2000

Dated this **16th day** of **July** 2020

ASX ADDITIONAL INFORMATION

1) Equity Holders

At 30 June 2020 there were 18,271 holders of ordinary shares in the capital of the Parent. These holders were distributed as follow:

Number of shares held	
1 – 1,000	1,485
1,001 – 5,000	2,769
5,001 – 10,000	2,731
10,001 – 100,000	10,116
100,001 and over	1,170
Total	**18,271**
Holding less than a marketable parcel of 361 shares	729

The 20 largest holdings of the Parent's share as at 30 June 2020 are listed below:

Name	Number of share held	%
Washington H Soul Pattinson and Company Limited	62,405,057	8.48
Huntley Group Investments Pty Ltd	8,523,274	1.16
J S Millner Holdings Pty Limited	5,816,300	0.79
HSBC Custody Nominees (Australia) Limited	5,658,288	0.77
Jeanneau Cloud Nine Pty Limited	4,169,612	0.57
GM Pty Limited	3,365,124	0.46
Netwealth Investments Limited	3,024,782	0.41
I R McDonald Pty Limited	3,000,000	0.41
John E Gill Trading Pty Limited	2,284,877	0.31
Nibot Pty Limited	2,251,845	0.31
Donald Cant Pty Limited	2,198,618	0.30
Estate of Francis Albert Robertson	2,136,110	0.29
K C Perks Investments Pty Ltd	2,004,233	0.27
Snow Foundation Limited	1,863,600	0.25
Fennybentley Pty Limited	1,700,000	0.23
BNP Paribas Nominees Pty Limited	1,623,394	0.22
T N Phillips Investments Pty Limited	1,619,044	0.22
T G Millner Holdings Pty Limited	1,605,708	0.22
Farjoy Pty Limited	1,550,800	0.21
Mr Timothy Frank Robertson	1,535,151	0.21

ASX ADDITIONAL INFORMATION

Votes of Members

Article 5.12 of the Company's Constitution provides

a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.

b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has:

(i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and

(ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited) on that Share.

2) Substantial Shareholders

As at 30 June 2020 the name and holding of each substantial shareholder as disclosed in a notice received by the Parent is listed below. The number of shares held and percentage ownership do not necessarily reflect the current ownership levels of these shareholders, as any subsequent movements of less than 1% would not need to be disclosed to ASX or the Company.

Substantial Shareholder	Shares Held	%
Washington H Soul Pattinson & Company Limited[1]	62,405,057	8.60%
Brickworks Limited[2]	62,405,057	8.60%

1 Details included on substantial shareholder notice dated 26 June 2018.

2 Details included on substantial shareholder notice dated 27 June 2018. Shares held by Brickworks Limited represent a technical relevant interest as a result of Brickworks Limited's shareholding in Washington H Soul Pattinson & Company Limited.

3) Other Information:

- There is no current on-market buy-back in place.
- There were 150 (2019: 322) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was $427,873 (2019: $577,354)

4) Management Expense Ratio:

The Management Expense Ratio ("MER") is the operating expenses of the Group for the financial year, as shown in the income statement, expressed as a percentage of the average total assets of the Group for the financial year. The table below summarises the MER for each financial year ended 30 June.

2004	2005	2006	2007	2008	2009	2010	2011	2012
0.69	0.71	0.56	0.46	0.46	0.31	0.19	0.18	0.18
2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	
0.19	0.17	0.18	0.16	0.15	0.16	0.17	0.17	