

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME  
ILBI INDEX ETF PORTFOLIO**

**AUDITED ANNUAL FINANCIAL STATEMENTS  
31 December 2020**

Prepared under the supervision of Palesa Mkhize CA(SA)  
Designation: Head of Financial Decision Support, Corporate and Investment Bank,  
Absa Bank Limited

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
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*for the year ended 31 December 2020*

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NewFunds (RF) Pty Ltd  
 c/o Newfunds Collective Investment Scheme in Securities  
 Sandton Campus North  
 15 Alice Lane  
 Sandton  
 2196

23 March 2021

**Attention:** The Directors

**NewFunds Collective Investment Scheme in Securities (the Scheme) – Year End  
31 December 2020**

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the “Act”), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the “Accounts”) fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both generally accepted accounting principles and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

**Standard Chartered Bank**

Johannesburg Branch

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 P.O. Box 782080, Sandton, 2146  
 South Africa

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Sincerely,

A handwritten signature in black ink, appearing to read 'Chantell Kruger'.

Chantell Kruger  
**Senior Manager, Trustee Services**

A handwritten signature in black ink, appearing to read 'Charl Steyn'.

Charl Steyn  
**Manager, Trustee Services**

**Standard Chartered Bank**

Johannesburg Branch

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**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**DIRECTORS' RESPONSIBILITIES AND APPROVAL**  
*for the year ended 31 December 2020*

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The directors are responsible for overseeing the preparation, integrity and objectivity of the annual financial statements that fairly present the state of the affairs of the Scheme at the end of the financial year and the financial performance and cash flows for the reporting period, and other information contained in this report.

Each Scheme's annual financial statements comprise the statement of comprehensive income at the reporting date, the statements of financial position, changes in net assets attributable to investors, cash flows for the year then ended and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in the manner required by The Collective Investment Scheme Control Act of South Africa of 2002, International Financial Reporting Standards and the Scheme Deed.

To enable the directors to meet these responsibilities:

- All directors will endeavour to maintain the highest ethical standards in ensuring the Scheme's business is conducted in a manner that in all reasonable circumstances is above reproach;
- The directors set standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- The directors and management identify all key areas of risk across the Scheme and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;
- The internal audit function outsourced to Absa Africa Group Internal Audit, which operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Scheme consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements of the Scheme have been prepared in accordance with the provisions of the Collective Investment Scheme Control Act of 2002 and the Trust Deed and comply with International Financial Reporting Standards (IFRS) and all applicable legislation.

The directors have no reason to believe that the Scheme will not be a going concern in the reporting period ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the annual financial statements. Their report to the investors is set out on pages 4 to 6.

The annual financial statements set out on pages 9 to 33 were approved by the directors on 23 March 2021 and were signed on its behalf by:



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AB La Grange



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BM Mgwaba



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102 Rivonia Road  
Sandton  
Private Bag X14  
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2146

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Co. Reg. No. 2005/002308/21  
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## **INDEPENDENT AUDITOR'S REPORT TO THE MANAGER AND HOLDERS OF SECURITIES IN THE NEWFUNDS COLLECTIVE INVESTMENT SCHEME ILBI INDEX ETF PORTFOLIO**

### **Report on the Audit of Annual Financial Statements**

#### **Opinion**

We have audited the financial statements of NewFunds Collective Investment Scheme ILBI Index ETF Portfolio (the Portfolio) as set out on pages 9 to 33, which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, the statement of changes in net assets attributable to investors, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Collective Investments Schemes Control Act of South Africa.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Responsibilities and Approval, Trustees' Report and Directors' Report, which we obtained prior to the date of this report. Other information does not include the financial statements and our Auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 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 Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Control Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Portfolio'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 Portfolio or to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Portfolio'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 Portfolio'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 financial statements 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 Portfolio to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

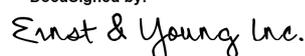
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements 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 other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of the Portfolio within NewFunds Collective Investment Scheme for 9 years.

DocuSigned by:  
  
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Ernst & Young Inc.  
Director - Jan H Labuschagne CA(SA)  
Registered Auditor  
23 March 2021

102 Rivonia Road  
Sandton  
2146

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**DIRECTORS' REPORT (continued)**  
*for the year ended 31 December 2020*

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<b>Management company registration number</b>	2005/034899/07
<b>Date of incorporation of portfolio</b>	26 January 2012
<b>Country of incorporation and domicile</b>	South Africa
<b>Date of publication</b>	26 March 2021
<b>Nature of business and principle activities</b>	NewFunds Collective Investment Scheme manages exchange traded fund (ETF) portfolios. Its objective is to track the performance of specific indices on the stock market in each portfolio. The ILBI Index ETF scheme (the portfolio or ILBI) tracks the Barclays/ Absa South African Government Inflation-Linked Bond Index, a total return index comprising South African bonds issued by the South African government that are linked to the South Africa Consumer Price Index.

<b>Directors of Management Company</b>	<b>Name</b>	<b>Appointment date</b>	<b>Resignation date</b>
	CHM Edwards	24/03/2016	
	TJ Fearnhead	25/11/2013	
	AB La Grange	10/07/2006	
	DA Lorimer	01/12/2016	26/11/2020
	YM Maitin	26/11/2020	
	BM Mgwaba	15/10/2015	
	RMH Pitt	17/02/2017	
	L Poswa	09/12/2020	

*\*NewFunds Collective Investment Scheme manages exchange traded fund portfolios. Accordingly, the appointment dates referred to above refer to the dates these directors were appointed to the Scheme.*

**Registered office**  
7th Floor  
Absa Towers West  
15 Troye Street  
Johannesburg  
2001

**Trustees** Standard Chartered Bank Johannesburg Branch

**Bankers** Standard Chartered Bank Johannesburg Branch

**Auditors** Ernst & Young Inc.  
102 Rivonia Road  
Sandton  
Johannesburg  
2196

**Supervised by** The scheme is managed by NewFunds (RF) Proprietary Limited, a 100% owned subsidiary of Absa Bank Limited. The preparation of these annual financial statements therefore falls under the direct supervision of Absa Bank Limited, represented by Palesa Mkhize CA(SA), Head of Financial Decision Support. All references to 'Manager' and 'Management' relate to NewFunds (RF) Proprietary Limited.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**DIRECTORS' REPORT (continued)**  
*for the year ended 31 December 2020*

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<b>Review of financial results</b>	The financial results of the Scheme are set out in the attached financial statements. The results do not, in the opinion of the directors, require further explanation.
<b>Events after the reporting date</b>	Events material to the understanding of these financial statements that occurred in the period between the financial year end and the date of this report has been disclosed in Note 17.
<b>Going concern</b>	The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. Refer to note 18 for disclosure on the COVID-19 impact on the Scheme.
<b>Special resolutions</b>	No special resolutions were passed during the period under review.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the year ended 31 December 2020*

	Notes	2020 R	2019 R
Effective interest income		7 319	9 293
Investment income	3	2 374 914	1 965 675
Net loss on financial assets at fair value through profit and loss	6.1	<b>(625 728)</b>	(539 032)
<b>Total net income</b>		<b>1 756 505</b>	1 435 936
Management and administration expenses		<b>(215 491)</b>	(215 315)
Increase in net assets attributable to investors before distribution	4	<b>1 541 014</b>	1 220 621
<b>Increase in net assets attributable to investors after distribution</b>		<b>1 541 014</b>	1 220 621

Represented by:

Income attributable to investors	2 166 742	1 759 653
Capital attributable to investors	<b>(625 728)</b>	(539 032)

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 31 December 2020*

	Notes	2020 R	2019 R
<b>Assets</b>			
<i>Non-current assets</i>			
Portfolio investments	6	96 967 162	60 215 403
<b>Total non-current assets</b>		<b>96 967 162</b>	60 215 403
<i>Current assets</i>			
Other receivables	7	665 166	376 797
Cash and cash equivalents	10	619 828	575 431
<b>Total current assets</b>		<b>1 284 994</b>	952 228
<b>Total assets</b>		<b>98 252 156</b>	61 167 631
<b>Liabilities</b>			
<i>Current liabilities</i>			
Other payables	8	24 259	17 859
<b>Net assets attributable to investors</b>		<b>98 227 897</b>	61 149 772

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO INVESTORS**  
*for the year ended 31 December 2020*

	<b>Capital attributable to investors R</b>	<b>Income attributable to investors R</b>	<b>Net assets attributable to investors R</b>
Balance at 1 January 2019	40 080 704	19 848 447	59 929 151
Creations for the period	-	-	-
(Decrease)/increase in net assets attributable to investors	(539 032)	1 759 653	1 220 621
<b>Balance at 31 December 2019</b>	<b>39 541 672</b>	<b>21 608 100</b>	<b>61 149 772</b>
<b>Balance at 1 January 2020</b>	<b>39 541 672</b>	<b>21 608 100</b>	<b>61 149 772</b>
Creations for the period	35 537 111	-	35 537 111
(Decrease)/increase in net assets attributable to investors	(625 728)	2 166 742	1 541 014
<b>Balance at 31 December 2020</b>	<b>74 453 055</b>	<b>23 774 842</b>	<b>98 227 897</b>

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**STATEMENT OF CASH FLOWS**  
*for the year ended 31 December 2020*

	Notes	2020 R	2019 R
<b>Cash flows from operating activities</b>			
Cash used in operations	9	(209 091)	(214 959)
Purchase of bonds due to rebalancing		(7 073 104)	(2 496 144)
Proceeds from sale of bonds due to rebalancing		5 227 397	1 097 871
Interest received		7 682	9 124
Coupon interest received		2 086 181	1 944 828
<b>Net cash generated by operating activities</b>		<b>39 065</b>	<b>340 720</b>
<b>Cash flows from financing activities</b>			
Cash portion paid on creation of ILBI Index Securities*		5 332	-
<b>Net cash generated by financing activities</b>		<b>5 332</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>44 397</b>	<b>340 720</b>
Cash and cash equivalents at the beginning of the year		575 431	234 711
<b>Cash and cash equivalents at the end of the year</b>	10	<b>619 828</b>	<b>575 431</b>

\* Creations and redemption are non-cash transactions which are done in specie with the market maker. The cash portion relates to the income that has accrued upon creation or redemption.

**1. STATEMENT OF COMPLIANCE**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRS-IC) and the requirements of the Trust deed, JSE Listing Requirements and the FRSC Financial Reporting Guides.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

During the current year, the Scheme has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Scheme's accounting policies. For details of the new and revised accounting policies refer to Note 19.

**2.2 BASIS OF PREPARATION**

Apart from certain items that are carried at fair value, as explained in the accounting policies below, the financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The financial statements are presented in South African Rands (R), the presentation and functional currency of the Scheme. All financial information is presented to the nearest Rand.

**2.3 EFFECTIVE INTEREST INCOME**

Effective interest income on amortised cost financial instruments, is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to that instrument's net carrying amount on initial recognition.

**2.4 INVESTMENT INCOME**

Investment income comprises of coupon interest income.

Coupon interest recognised on investments measured at Fair Value through Profit and Loss is presented as part of investment income.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5. FINANCIAL INSTRUMENTS**

**2.5.1 INITIAL RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Financial assets and liabilities are recognised when it becomes a party to the terms of the contract, which is the trade date. All financial instruments are measured initially at fair value plus/minus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, where transaction costs are expensed upfront.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price ("Day One profit or loss") is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

**2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

On initial recognition, financial assets are classified into the following measurement categories:

- Amortised cost; or
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent "solely payments of principal and interest").

**Business model assessment:**

The business model reflects how the NewFunds Collective Investment Scheme manages the financial assets in order to generate cash flows and returns. The NewFunds Collective Investment Scheme makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include:

- (i) how the financial assets' performance is evaluated and reported to management;
- (ii) how the risks within the portfolio are assessed and managed; and
- (iii) the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales. The NewFunds Collective Investment Scheme reclassifies debt instruments when, and only when, the business model for managing those assets changes. Such changes are highly unlikely and therefore expected to be very infrequent.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5. FINANCIAL INSTRUMENTS (continued)**

**2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI):**

In making the assessment of whether the contractual cash flows have SPPI characteristics, the NewFunds Collective Investment Scheme considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss, as described below. In making the assessment, the NewFunds Collective Investment Scheme considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the NewFunds Collective Investment Scheme's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

**Debt Instruments:**

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The NewFunds Collective Investment Scheme classifies its debt instruments as follows:

- i. Amortised cost - Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised within effective interest income. The carrying amount is adjusted by the cumulative expected credit losses recognised.
- ii. Fair value through other comprehensive income - This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to "Gains and losses from banking and trading activities" in profit or loss. Interest income from these financial assets is included within "Effective interest income" using the effective interest rate method.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5. FINANCIAL INSTRUMENTS (continued)**

**2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

**Debt Instruments (continued)**

- iii. Fair value through profit or loss - Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in fair value adjustment in profit or loss. The NewFunds Collective Investment Scheme may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as fair value adjustment in profit or loss.

**Financial Liabilities**

Financial liabilities arising from the securities issued by the Portfolio are measured at fair value representing the investor's right to an interest in the Portfolio's net assets, i.e. the Net Asset Value ("NAV") of the Portfolio. Changes in the fair value are included in profit or loss in the period in which the change arises and these financial liabilities are designated at fair value through profit or loss. Gains and losses on financial liabilities are presented in OCI to the extent that they relate to changes in own credit risk. For the current period there were no significant changes in own credit risk.

**Net assets attributable to investors (redeemable securities)**

All redeemable securities provided by the portfolios provide investors with the right to request redemption for cash or in specie at the value proportionate to each investor's share. The securities are redeemable at any time at the option of the security holder and are therefore classified as financial liabilities. These are measured at the redemption amounts.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5. FINANCIAL INSTRUMENTS (continued)**

**2.5.2 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)**

**OTHER RECEIVABLES**

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**OTHER PAYABLES**

Other payables are measured at amortised cost except for liabilities designated at fair value which are held at fair value through profit and loss. Amortised cost is the initial fair value (which is normally the amount borrowed) adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability.

**FAIR VALUE**

The listed underlying investments are carried at fair value through profit or loss.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**2.5.3 DERECOGNITION OF FINANCIAL INSTRUMENTS**

*Derecognition of financial assets*

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Scheme transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

*Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5. FINANCIAL INSTRUMENTS (continued)**

**2.5.4 OFFSETTING**

In accordance with IAS 32 Financial Instruments: Presentation, the Scheme reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**2.6 CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

**2.7 SEGMENT REPORTING**

The portfolio trades under the umbrella of the NewFunds Collective Investment Scheme (CIS) as separate exchange traded fund. The fund is separately listed and trades on the Johannesburg Stock Exchange (JSE). Thus each of the separate portfolios fall within the scope of IFRS 8: Operating Segments. This fund has a narrowly defined mandate and operates a single line of business. Therefore the fund as a whole is considered to be one operating segment.

**2.8 DISTRIBUTIONS**

The portfolio tracks a total return index and therefore all distributions from the constituents are not paid to investors but are reinvested through the additional constituent securities.

**2.9 TAXATION**

Income is taxed in the hands of the investor if the portfolio distributes within 12 months of having received income, failing which income will be deemed to be received by, and accrued to the portfolio and will be taxed in its hands. Capital gains and losses are ultimately taxed in the investor's hands on disposal of their participatory interest.

The scheme has distributed all income within 12 months of receiving it within the current and prior year. Therefore, no income tax has been provided for in the scheme in the current and prior year.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements**  
*for the year ended 31 December 2020*

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	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>3. INVESTMENT INCOME</b>		
Coupon interest income	<b>2 374 914</b>	1 965 675
	<b>2 374 914</b>	1 965 675

**4. INCREASE IN NET ASSETS ATTRIBUTABLE TO INVESTORS BEFORE DISTRIBUTION**

Included in net assets attributable to investors before distribution are the following significant transactions:

Management fee	<b>(214 097)</b>	(211 993)
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**5. TOTAL EXPENSE RATIO**

Increased customer demand for greater transparency in financial services and the recognition thereof by the collective investment industry requires Collective Investment Scheme managers to calculate and publish a Total Expense Ratio (TER) for each portfolio under management. This is a requirement in terms of the Association of Collective Investment Scheme (ACI) standard on the calculation and publication of TER.

The ACI Guidelines on the TERs require that a fund must be in existence for more than 6 months before expense ratios can be calculated and published.

The TER by definition as expressed in the ACI standards is a measure of the portfolio's assets that were relinquished as payment for services rendered in the management of the portfolio. This is expressed as a percentage of the fraction; total expenses paid for by a portfolio for the previous 12 months divided by the daily average net asset value for the previous 12 months.

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
ILBI Index Securities	<b>0.35</b>	0.35

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
**for the year ended 31 December 2020**

**6. PORTFOLIO INVESTMENTS**

These financial assets are mandatorily measured at fair value through profit and loss as the business model of the portfolio is to manage the instruments on a fair value basis.

	2020 R	2019 R
<b>6.1 RECONCILIATION OF THE FAIR VALUE OF INVESTMENTS</b>		
Balance at 1 January	60 215 403	59 356 164
Fair value adjustments	(625 728)	(539 032)
Creations during the year	35 531 779	-
Rebalancing effect	1 845 707	1 398 271
Balance at 31 December	<b>96 967 162</b>	60 215 403

**Creations and redemptions**

Creations and redemptions are recorded on trade date using historic cost being the previous day closing index price.

**Rebalancing**

Fund rebalancing activities are undertaken periodically to ensure proper tracking of performance of the Benchmark Index and to keep adequate cash balance. It is recorded on trade date using historic cost being the previous day closing index price.

**6.2 RECONCILIATION OF THE NUMBER OF UNITS**

Balance at 1 January	900 000	900 000
Creations during the year	500 000	-
Balance at 31 December	<b>1 400 000</b>	900 000

**6.3 PARTICIPATION INTEREST**

The Scheme is the primary issuer of participatory interests for the NewFunds CIS ETFs. The Scheme is obliged to sell and repurchase one or more basket(s) of participatory interests requested or offered from or to it by investors. There is a provision that a scheme can never be obliged to deliver part of a basket. As participatory interests are listed on the JSE, typically, investors can buy or sell partial baskets of their participatory interests on the secondary market (and may contact either of the participating brokers or the market maker in this regard) on the JSE.

Partial baskets are traded on the secondary market as ILBI Index securities (NFILBI) on the JSE.

The net asset value per ILBI Index Security, after attributable amounts, at 31 December 2020 was R70.16 (31 December 2019: R67.94).

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**

Notes to the annual financial statements (continued)

for the year ended 31 December 2020

**6. PORTFOLIO INVESTMENTS (continued)**

**6.4 ILBI INDEX BASKET CONSTITUENTS**

	No. of Bonds	Cost R	Current Price Cents	Market Value R	% of the Fund
<b>2020</b>					
<b>3-7 Years</b>					
I2025 2% 310125	8 817 197	11 799 399	146.31	12 900 254	13.30
R212 2.75% 310122	4 937 905	7 419 058	169.61	8 375 071	8.64
R197 5.50% 071223	5 082 482	15 105 070	315.66	16 043 323	16.55
<b>7-12 Years</b>					
R210 2.60% 310328	4 433 697	8 074 695	190.61	8 451 092	8.72
I2029 1.875% 310329	4 051 000	4 103 504	102.21	4 140 504	4.27
<b>12+ Years</b>					
I2033 1.8750% 280233	5 597 879	5 639 940	97.73	5 470 832	5.64
I2038 2.25% 310138	8 836 498	10 450 379	110.02	9 721 789	10.03
I2046 2.5% 310346	8 906 823	10 025 750	98.49	8 772 395	9.05
I2050 2.5% 311250	10 711 728	12 740 132	100.21	10 734 466	11.07
R202 3.45% 071233	5 697 547	12 947 617	216.89	12 357 435	12.74
		<b>98 305 845</b>		<b>96 967 162</b>	<b>100.00</b>
<b>2019</b>					
<b>3-7 Years</b>					
I2025 2% 310125	4 623 197	5 698 907	135.33	6 256 553	10.39
R212 2.75% 310122	3 576 905	4 953 817	160.78	5 751 002	9.55
R197 5.50% 071223	3 828 482	10 949 592	297.94	11 406 420	18.95
<b>7-12 Years</b>					
R210 2.60% 310328	3 334 697	5 874 171	185.95	6 200 816	10.30
I2029 1.875% 310329	2 100 000	2 093 087	100.36	2 107 615	3.50
<b>12+ Years</b>					
I2033 1.8750% 280233	2 757 879	2 855 009	100.02	2 758 566	4.58
I2038 2.25% 310138	4 411 498	5 522 669	116.33	5 132 061	8.52
I2046 2.5% 310346	4 383 823	5 500 015	106.20	4 655 433	7.73
I2050 2.5% 311250	5 820 728	7 713 314	108.96	6 342 093	10.53
R202 3.45% 071233	4 274 547	9 901 238	224.70	9 604 844	15.95
		<b>61 061 819</b>		<b>60 215 403</b>	<b>100.00</b>

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
*for the year ended 31 December 2020*

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>7. OTHER RECEIVABLES</b>		
Other interest receivable	-	363
Coupon interest income receivable	<b>665 166</b>	376 434
	<b>665 166</b>	376 797
<b>8. OTHER PAYABLES</b>		
Management fees	<b>24 260</b>	17 859
	<b>24 260</b>	17 859
<b>9. CASH USED IN OPERATIONS</b>		
Management fee	<b>(214 097)</b>	(211 993)
Transaction fee	<b>(1 394)</b>	(3 322)
Movement in other payables	<b>6 400</b>	356
Cash used in operations	<b>(209 091)</b>	(214 959)
Cash used in operations represents the cash paid on management and administration expenses.		
<b>10. CASH AND CASH EQUIVALENTS</b>		
Current account	<b>619 828</b>	575 431

## **11. RISK MANAGEMENT**

### **11.1 CAPITAL RISK MANAGEMENT**

The Scheme monitors capital on the basis of the value of net assets attributable to investors. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Scheme may adjust the amount of distributions paid to investors. There are no externally imposed capital requirements on the Scheme.

### **11.2 FINANCIAL RISK MANAGEMENT OBJECTIVES**

The Scheme's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Scheme's risk management are to identify all key risks for the Scheme, measure these risks, manage the risk positions and determine capital allocations. The Scheme regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Scheme's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Scheme's financial performance. The Scheme defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Scheme is exposed are financial risks, which include credit risk, liquidity risk and market risk which are discussed below. Market risk has been identified as the most significant risk to the Scheme.

The portfolio's financial instruments consist mainly of underlying listed investments, cash and cash equivalents, other receivables, index securities and other payables.

### **11.3 MARKET RISK**

Market risk exists where significant changes in yields will affect the value of the portfolios' index securities. The fund's investment mandate is to passively manage the portfolio. As a result it is subjected to a similar nature and level of market risk as the benchmark portfolio.

There is no guarantee that the Scheme's portfolios will achieve its investment objective of perfectly tracking the index. The value of portfolio index securities and distributions payable by the Scheme's portfolios will rise and fall as the capital values of the underlying securities housed in the portfolio and the income flowing therein fluctuates. Prospective investors should be prepared for the possibility that they may sustain a loss.

The Scheme's portfolios may not be able to perfectly replicate the performance of an index because:

- The fund is liable for certain costs and expenses not taken into account in the calculation of the Index, this is applicable to a total return index,
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise index weightings.

**11. RISK MANAGEMENT (continued)**

**11.3 MARKET RISK (continued)**

**Price Sensitivity Analysis**

All the investments in portfolios of the Scheme's portfolios are listed on the JSE. Index securities are created with an objective to track the performance of specific portfolio indexes (customised indexes).

Any movement or adjustment in the specific portfolio index will have an impact on the price of the investment in the portfolio. At any point in time the market value of one unit in the portfolio may be expected to reflect 1/10<sup>th</sup> of the Index level, plus an amount which reflects a pro rata portion of any accrued distribution amount within the portfolio. Actual market values may be affected by supply and demand and other market factors, however the ability of a holder to switch out of any ETF portfolio securities by redeeming them in specie for one or more baskets of the constituent securities, should operate to substantially avoid or minimise any differential which may otherwise arise between the relevant basket and the value at which any portfolio securities trade from time to time.

The ILBI Index Securities investment portfolio of **R96 967 162** (2019: R60 215 403) is affected by price fluctuations.

At reporting date a 10% increase in the value of the investment in the portfolio's security price at the reporting date would increase the index and resulting net assets attributable to investors of the portfolio by **R9 696 716** (2019: R6 021 540).

At reporting date a 10% decrease in the value of the investment in the portfolio's security price at the reporting date would decrease the index and resulting net assets attributable to investors of the portfolio by **R9 696 716** (2019: R6 021 540).

**11.4 INVESTMENT RISK**

There can be no assurance that the investment in portfolios will achieve their investment objectives of replicating the price and yield performance of the portfolio index securities. The net asset value of the portfolio index securities will rise and fall as the value of the underlying portfolio fluctuates. The return achieved on portfolio index securities can be expected to fluctuate in response to changes in the return achieved by the underlying portfolio.

On a monthly basis, the index is adjusted to ensure that the constituent securities in the index are the top performing SA inflation-linked government bonds. Thus adjustments, such as removing an inflation-linked bond that is not performing well or a change in the weighting of the inflation-linked bonds, are performed.

The following factors could negatively impact on the investment performance of the portfolios:

- Certain costs and expenses incurred by the portfolio could cause the underlying portfolio to mistrack against the Index;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the exact weightings of the Index; or
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the portfolio of securities held by the portfolio and this may lead to tracking error.

**11.5 SECONDARY TRADING RISK**

There can be no guarantee that the portfolio index securities will remain listed on the JSE Limited. Despite the presence of market makers, the liquidity of the portfolio index securities cannot be guaranteed. The portfolio index securities may trade at a discount or premium to their net asset value. Any termination of a listing would be subject to the JSE listing requirements.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
**for the year ended 31 December 2020**

**11. RISK MANAGEMENT (continued)**

**11.6 INTEREST RATE RISK**

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. Funds holding fixed interest securities are exposed to fair value interest rate risk.

**Interest rate sensitivity analysis**

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<i>The following balances are affected by interest rate fluctuations</i>		
Portfolio Investments	<b>96 967 162</b>	60 215 403
Cash and cash equivalents	<b>619 828</b>	575 431
	<b>97 586 989</b>	60 790 834

At reporting date a 1% increase in the interest rate would have decreased the net assets attributable to investors by:

Portfolio Investments	<b>(7 757 218)</b>	(5 127 623)
Cash and cash equivalents	<b>6 198</b>	5 754
	<b>(9 102 770)</b>	(5 121 869)

At reporting date a 1% decrease in the interest rate would have increased the net assets attributable to investors by

Portfolio Investments	<b>9 108 969</b>	6 031 521
Cash and cash equivalents	<b>(6 198)</b>	(5 754)
	<b>8 438 777</b>	6 025 767

**11.7 CREDIT RISK**

Credit risk is the risk of financial loss to the Scheme if a party to a financial instrument fails to meet its contractual obligations. Credit risk arises from other receivables and cash and cash equivalents which are neither past due nor impaired with the total concentration of risk being in the financial services sector.

**Risk limits, control and mitigation policies:**

The cash and cash equivalents of the Scheme are placed with reputable financial institutions. The credit risk relating to other receivables is limited as it relates mainly to interest income receivable and coupon interest receivable which are receivable from listed bonds.

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>Maximum credit risk</b>		
Portfolio Investments	<b>96 967 162</b>	60 215 403
Other receivables	<b>665 166</b>	376 797
Cash and Cash equivalents	<b>619 828</b>	575 431
	<b>98 252 156</b>	61 167 631

**11. RISK MANAGEMENT (continued)**

**11.7 CREDIT RISK (continued)**

	2020 R	2019 R
<b>Credit exposure by industry</b>		
Financial Services	619 828	575 794
Government	97 632 328	60 591 837
	<b>98 252 156</b>	<b>61 167 631</b>

**Financial Assets subject to IFRS 9 impairment requirements**

The Scheme's financial assets subject to the expected credit loss model within IFRS 9 are only short-term receivables. There is not considered to be any concentration of credit risk within these assets. Expected credit losses have been recognised and no amounts have been written off in the period.

All receivables are expected to be received in three months or less. An amount is considered to be in default if it has not been received 30 days after it is due. The carrying amount of other receivables and cash and cash equivalents represents the maximum exposure.

**11.8 LIQUIDITY RISK**

Liquidity risk results from both the differences between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall time profile of the current financial position as well as the expected future structure.

**Liquidity risk management process:**

The availability of funding through liquid cash positions with various institutions ensures that the Scheme has the ability to fund day-to-day operations.

During rebalancing, proceeds received from the sale of selected constituents are utilised to buy a basket of selected constituents. The approach to managing liquidity risk is to ensure that the portfolio would be able to pay suitable distributions or deemed distribution to investors on a monthly basis. All dividend distributions or deemed distributions are approved by the Trustee and calculated by administrators.

All of the portfolios' securities are listed instruments and are bought and sold in the JSE Limited through a JSE member. The participatory interest in the portfolio securities can be sold to the market maker, which is obliged to buy them from the investor.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell all the Scheme's portfolio participatory interests at prices around net asset value of the participatory interest, thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions the investor will be able to buy or sell the portfolio securities from the market makers.

Per the Scheme Deed, the managing Scheme can sell the underlying portfolio assets to meet any short or long term obligation and can borrow up to 10% of the market value of the underlying assets.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
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**11. RISK MANAGEMENT (continued)**

**11.9 LIQUIDITY RISK (continued)**

The following tables represent the maturity analysis of the financial liabilities:

	On demand R	0-12 months R	Total R
<b>2020</b>			
Other payables	-	24 260	24 260
Net assets attributable to investors	98 227 897	-	98 227 897
	<b>98 227 897</b>	<b>24 260</b>	<b>98 252 157</b>
<b>2019</b>			
Other payables	-	17 859	17 859
Net assets attributable to investors	61 149 772	-	61 149 772
	<b>61 149 772</b>	<b>17 859</b>	<b>61 167 632</b>

**12. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE**

**12.1 FAIR VALUE HIERARCHY**

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from quoted prices in active markets and inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the portfolio's financial instruments that are recognised and subsequently measured at fair value, analysed by level of the fair value hierarchy. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. All the fair values disclosed are recurring fair value measurements. The table below sets out the fair value of Level 1 and Level 2 and Level 3 financial instruments:

	Level 1 R	Level 2 R	Level 3 R
<b>2020</b>			
<b>Recurring fair value measurements</b>			
<b>Financial Instruments</b>			
Mandatorily measured at Fair Value			
Through Profit and Loss:			
Portfolio investments	96 967 162	-	-
Other receivables	665 166	-	-
Net assets attributable to investors	-	(98 227 897)	-
	<b>97 632 328</b>	<b>(98 227 897)</b>	<b>-</b>

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
**for the year ended 31 December 2020**

**12 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE (continued)**

**12.1 FAIR VALUE HIERARCHY (continued)**

2019	Level 1 R	Level 2 R	Level 3 R
<b>Recurring fair value measurements</b>			
<b>Financial Instruments</b>			
Mandatorily measured at Fair Value			
Through Profit and Loss:			
Portfolio investments	60 215 403	-	-
Other receivables	376 434	-	-
Net assets attributable to investors	-	(61 149 772)	-
	<u>60 591 837</u>	<u>(61 149 772)</u>	<u>-</u>

The valuation technique applied in order to value Level 2 financial instruments is the Net Asset Value, which is linked to the adjusted quoted price of the underlying market traded instruments.

**12.2 FAIR VALUE VERSUS CARRYING AMOUNT OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE**

The fair value of the cash and cash equivalents, other receivables and other payables approximates the carrying value because the instruments are short term in nature. There has been no change in fair values as a result of a change in credit risk.

**13. SEGMENTAL REPORTING**

The investment vehicle offers only one product, being the specific exchange traded fund, tracking the specific identified index.

Information regarding the results of the reportable segment is disclosed in the financial statements as currently set out, thus no further IFRS 8 disclosure is required.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**

**Notes to the annual financial statements (continued)**

*for the year ended 31 December 2020*

**14. RELATED PARTIES**

NewFunds (RF) Proprietary Limited, a subsidiary of Absa Bank Limited, has been established to act as an agent for all management and administrative services in respect of the Scheme's portfolios. The fees payable to them have been included in management and administration expenses.

The Standard Bank of South Africa Limited services as Trustee of the Scheme ended on 31 August 2020. Standard Chartered Bank Johannesburg Branch is the trustee of the Scheme with effect 1 September 2020 at a contractually agreed amount and is remunerated for services from 1 September 2020.

Ultimate holding company: Absa Group Limited

Market maker: Absa Bank Limited

**Key Management Personnel**

The Scheme's key management personnel are the trustees listed in the Trustee's Report and the directors of NewFunds (RF) Proprietary Limited who act as an agent for all management and administrative services in respect of NewFunds CIS portfolios.

Other than trustee fees and management fees paid to the Standard Bank of South Africa, Standard Chartered Bank Johannesburg Branch and NewFunds (RF) Proprietary Limited, there were no material transactions with key management personnel or their families during the year.

	<b>Admin and management fees paid R</b>	<b>Interest Income R</b>	<b>Cash and Cash Equivalents R</b>	<b>Other Receivables R</b>	<b>Other Payables R</b>	<b>Participatory Interest Held R</b>
<b>2020</b>						
NewFunds (RF) Proprietary Limited	(214 097)	-	-	-	(24 260)	-
Absa Group Limited	-	-	-	-	-	(40 840 316)
Standard Bank of South Africa Limited	(927)	5 321	-	-	-	-
Standard Chartered Bank Johannesburg Branch	(468)	1 998	619 828	-	-	-
<b>2019</b>						
NewFunds (RF) Proprietary Limited	(211 993)	-	-	-	(17 859)	-
Absa Group Limited	-	-	-	-	-	(31 250 355)
Standard Bank of South Africa Limited	(3 322)	9 293	575 431	363	-	-

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
***for the year ended 31 December 2020***

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**15. DISTRIBUTIONS**

This ETF Portfolio tracks the total return index. This means that all distributions made by constituent companies are reinvested through the additional constituent securities and not paid to the investors.

The monthly record dates are: 21 February 2020, 20 March 2020, 24 April 2020, 22 May 2020, 26 June 2020, 24 July 2020, 21 August 2020, 25 September 2020, 23 October 2020, 20 November 2020, 24 December 2020, 22 January 2021.

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>2020 : 16.38 cents per security declared on 16 January 2020 and reinvested on 27 January 2020</b> <i>(2019 : 15.33 cents per security declared on 17 January 2019 and reinvested on 29 January 2019)</i>	<b>147 420</b>	137 970
<b>2020 : 17.91 cents per security was declared on 13 February 2020 and reinvested on 24 February 2020</b> <i>(2019 : 16.62 cents per security was declared on 12 February 2019 and reinvested on 25 February 2019)</i>	<b>161 199</b>	149 535
<b>2020 : 15.41 cents per security was declared on 12 March 2020 and reinvested on 23 March 2020</b> <i>(2019 : 14.65 cents per security was declared on 18 March 2019 and reinvested on 25 March 2019)</i>	<b>138 645</b>	131 805
<b>2020 : 16.62 cents per security declared 16 April 2020 and reinvested on 28 April 2020</b> <i>(2019 : 14.94 cents per security declared 16 April 2019 and reinvested on 29 April 2019)</i>	<b>149 598</b>	134 487
<b>2020 : 18.63 cents per security declared 14 May 2020 and reinvested on 25 May 2020</b> <i>(2019 : 17.15 cents per security declared 16 May 2019 and reinvested on 27 May 2019)</i>	<b>167 688</b>	154 386
<b>2020 : 16.10 cents per security declared 18 June 2020 and reinvested on 29 June 2020</b> <i>(2019 : 16.10 cents per security declared 12 June 2019 and reinvested on 24 June 2019)</i>	<b>144 909</b>	144 882
<b>2020 : 16.92 cents per security declared 16 July 2020 and reinvested on 27 July 2020</b> <i>(2019 : 15.26 cents per security declared 18 July 2019 and reinvested on 29 July 2019)</i>	<b>152 244</b>	137 331
<b>2020 : 18.50 cents per security declared 13 August 2020 and reinvested on 24 August 2020</b> <i>(2019 : 18.20 cents per security declared 15 August 2019 and reinvested on 26 August 2019)</i>	<b>166 473</b>	163 755

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO**  
**Notes to the annual financial statements (continued)**  
**for the year ended 31 December 2020**

**15. DISTRIBUTIONS (continued)**

	<b>2020</b>	<b>2019</b>
	<b>R</b>	<b>R</b>
<b>2020 : 15.80 cents per security declared 16 September 2020 and reinvested on 28 September 2020</b> <i>(2019 : 16.25 cents per security declared 18 September 2019 and reinvested on 30 September 2019)</i>	<b>142 191</b>	146 232
<b>2020 : 18.22 cents per security declared 15 October 2020 and reinvested on 26 October 2020</b> <i>(2019 : 15.64 cents per security declared 23 October 2019 and reinvested on 04 November 2019)</i>	<b>163 962</b>	140 724
<b>2020 : 17.56 cents per security declared 12 November 2020 and reinvested on 23 November 2020</b> <i>(2019 : 18.31 cents per security declared 14 November 2019 and reinvested on 25 November 2019)</i>	<b>158 013</b>	164 745
<b>2020 : 16.38 cents per security declared 15 December 2020 and reinvested on 28 December 2020</b> <i>(2019 : 16.04 cents per security declared 17 December 2019 and reinvested on 30 December 2019)</i>	<b>147 456</b>	144 351
	<b>1 839 798</b>	1 750 203
<b>Distributions declared after year end</b>		
<b>2021 : 52.69 cents per security declared 14 January 2021 and reinvested on 25 January 2021</b> <i>(2020 : 16.38 cents per security declared 16 January 2020 and reinvested on 27 January 2020)</i>	<b>737 590</b>	147 420
<b>2021 : 17.04 cents per security declared 11 February 2021 and re-invested 22 February 2021</b> <i>(2020 : 17.91 cents per security declared 13 February 2020 and re-invested 25 February 2020)</i>	<b>238 616</b>	161 199
<b>2021 : 14.65 cents per security declared 11 March 2021 and re-invested 23 March 2021</b> <i>(2020 : 15.41 cents per security declared 12 March 2020 and re-invested 23 March 2020)</i>	<b>224 588</b>	138 645
	<b>3 040 592</b>	2 197 467

**16. QUARTERLY REVIEW OF PORTFOLIO PRICES**

	<b>31</b>	<b>30 June</b>	<b>30</b>	<b>31</b>
	<b>March</b>	<b>(cents)</b>	<b>September</b>	<b>December</b>
	<b>(cents)</b>		<b>(cents)</b>	<b>(cents)</b>
<b>2020</b>				
ILBI Index Securities	<b>6 316</b>	<b>6 633</b>	<b>6 698</b>	<b>7 025</b>
<b>2019</b>				
ILBI Index Securities	6 698	6 856	6 864	6 957

**17. EVENTS AFTER REPORTING DATE**

Distributions occurred post year end refer to Note 15.

**18. COVID-19**

Due to the coronavirus (COVID-19) pandemic, governments across the world have declared national lockdowns, which have resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector. Due to the global economic downturn, a significant increase in the volatility of the financial and commodities market worldwide has been noted.

Currently it is not possible to precisely predict the extent and duration of the economic impact of the COVID-19 pandemic.

This portfolio is a passively managed portfolio. Despite the COVID-19 pandemic presenting challenges for many entities throughout the nation resulting in price fluctuations seen in the market values of the underlying investments in the portfolio due to the COVID-19, the nature of business and conduct of the portfolio has remained unchanged. The objective of the portfolio remains to replicate the Equity Momentum as closely as possible regardless of the fluctuations in the price or changes in the constituents of the Index

The continuing COVID-19 pandemic has not affected the portfolio's ability to continue as a going concern and the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

**19. NEW ACCOUNTING PRONOUNCEMENTS**

**Adoption of new and revised Standards**

During the current year, the company has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020. The adoption of these new and revised standards and interpretations has not resulted in material changes to the company's accounting policies.

The company adopted the following standards, interpretations and amended standards during the year:

The Conceptual Framework	<i>The Conceptual Framework for Financial Reporting</i> sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies, and assistance to others in their efforts to understand and interpret the standards.
IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform (IBOR)</i> - Amendments which focus on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBORs with alternative nearly risk-free rates, and provide reliefs to allow hedge accounting to continue during the period of uncertainty before an IBOR is replaced. The amendments are mandatory for all hedge relationships directly affected by interest rate benchmark reform.

**New and revised International Financial Reporting Standards issued not yet effective**

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

<b>Standard</b>	<b>Annual periods beginning on or after</b>
IFRS 9, IAS 39 and IFRS 7	1 January 2021
<p><i>Interest Rate Benchmark Reform (IBOR) Phase 2</i> - Amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are as follows:</p> <ul style="list-style-type: none"> <li>• Modifications to financial instruments and lease liabilities which arise as a direct consequence of IBOR reform are accounted for by updating the effective interest rate;</li> <li>• Hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships must be amended to reflect modifications, and amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and</li> <li>• Additional disclosure requirements have been included.</li> </ul>	
IAS 1	1 January 2023
<p><i>Classification of liabilities as current or non-current</i> - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	

Apart from the instances detailed above the company is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.

All other standards and amendments have been considered but do not have an impact on the scheme.