

Realm High Income Fund

ARSN 159 673 533

Financial report

For the year ended 30 June 2019

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Directors' report

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of Realm High Income Fund ARSN 159 673 533 ("RHIF" or the "Fund") submit their report together with the financial report for the Fund for the year ended 30 June 2019.

Responsible Entity

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity, in office during the year are:

Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary (appointed as a director on 26 October 2018)
Justin Epstein	Non-Executive Director from 1 January 2019 (Executive director to 31 December 2018)
Elizabeth Reddy	Non-Executive Director (resigned on 26 October 2018)

Principal Activities

The Fund is a registered managed investment scheme, constituted and domiciled in Australia.

The Fund was constituted on 25 July 2012, registered as a managed investment scheme on 10 August 2012 and commenced operations on 26 September 2012.

The principal activity of the Fund during the year was to invest in accordance with the provisions of the Fund's Constitution and offer documents.

The Fund's primary emphasis is to invest in domestic investment grade asset-backed, bank-issued and corporate bonds. Notwithstanding this primary emphasis, the Fund may also invest in Commonwealth and State government securities, inflation linked securities, hybrid securities, revolving credit facilities, bank term deposits, international agency, supranational debt and derivatives. Derivatives can be used to implement investment decisions, including hedging, and as a risk management tool (such as managing the effect of interest rate or foreign currency movements). They may also be used to adjust or implement investment decisions and to gain, or avoid, exposure to a particular market rather than purchasing physical assets. In this regard, derivatives will only be used to gain exposures when they offer a more cost effective way of purchasing the underlying security. All derivative positions will be fully funded. No leverage is possible when fully exposing and backing the derivative position.

The Fund did not have any employees during the year.

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

Review and Results of Operations

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

	Year ended	
	30 June 2019	30 June 2018
Operating profit attributable to unitholders before finance costs (\$)	18,548,323	8,721,990
Distributions paid and payable (\$)	15,719,445	11,848,689

Directors' report (continued)

Value of Assets and Units Issued

The total value of the Fund's assets at 30 June 2019 was \$494,414,357 (2018: \$402,188,099). The following table shows the total number of units on issue as at 30 June 2019 and 30 June 2018.

	As at	
	30 June 2019	30 June 2018
	No. of Units	No. of Units
Ordinary Units	4,906,578	7,051,972
Wholesale Units	430,261,539	359,639,578
Adviser Units	20,551,009	3,583,482
MFund Units	240,044	-
Total Units	455,959,170	370,275,032

Fees paid to and Interests Held in the Fund by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in note 15 of the financial statements.

Changes in State of Affairs

During the year there were no significant changes in the state of affairs of the Fund.

Subsequent Events

There has been no matter or circumstance occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Likely Developments

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statements.

Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Indemnification of Directors, Officers and Auditors

During or since the financial year, the Fund has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Fund. In addition, the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

Directors' report (continued)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the directors of One Managed Funds Investment Limited.



Frank Tearle
Director
24 September 2019

24 September 2019

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of Realm High Income Fund
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SYDNEY NSW 2000

Audit and Assurance Services

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Dear Directors

Realm High Income Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of One Managed Investment Funds Limited.

As lead audit partner for the audit of the financial report of Realm High Income Fund for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

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

Yours sincerely


Crowe Sydney

John Haydon
Senior Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Independent Auditor's Report to the Unitholders of Realm High Income Fund

Opinion

We have audited the financial report of Realm High Income Fund (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the 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 Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.
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Responsibilities of the Directors for the Financial Report

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

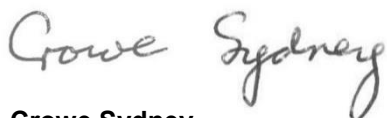
Auditor's Responsibilities for the Audit of the Financial Report

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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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 the audit.



Crowe Sydney



John Haydon

Senior Partner

24 September 2019

Sydney

Directors' declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 (a) to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(4) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
24 September 2019

Statement of Comprehensive Income

	Note	Year ended	
		30 June 2019	30 June 2018
		\$	\$
Investment income			
Net gains on financial instruments held at fair value through profit or loss	5	3,449,190	68,481
Dividend income		825,825	184,335
Interest income		17,558,363	11,274,356
Other income		69,909	8,028
Total net investment income		<u>21,903,287</u>	<u>11,535,200</u>
Expenses			
Management fees	15 (b)	3,124,610	2,551,912
Other expenses		230,354	261,298
Total expenses		<u>3,354,964</u>	<u>2,813,210</u>
Net profit attributable to unitholders before finance costs		<u>18,548,323</u>	<u>8,721,990</u>
Finance costs			
Distributions to unitholders		(15,719,445)	(11,848,689)
Net profit/(loss) attributable to unitholders after finance costs		<u>2,828,878</u>	<u>(3,126,699)</u>
Decrease/(increase) in net assets attributable to unitholders	9	<u>(2,828,878)</u>	<u>3,126,699</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

		As at	
	Note	30 June 2019 \$	30 June 2018 \$
Assets			
Cash and cash equivalents	11 (a)	71,681,090	62,105,031
Other receivables	8	2,937,085	2,057,289
Receivables on investment sold		20,548	5,781,742
Investments in term deposits		3,189,876	1,134,538
Financial assets held at fair value through profit or loss	6	416,585,758	331,109,499
Total assets		494,414,357	402,188,099
Liabilities			
Distributions payable		3,484,390	2,253,330
Management fees payable	15 (b)	284,049	233,401
Payables on investment purchased		3,004,071	5,772,239
Financial liabilities held at fair value through profit or loss	6	1,856,807	1,984,029
Total liabilities (excluding net assets attributable to unitholders)		8,629,317	10,242,999
Net assets attributable to unitholders	9	485,785,040	391,945,100

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Note	Year ended	
		30 June 2019	30 June 2018
		\$	\$
Cash flows from operating activities			
Net purchase and sales of financial instruments designated at fair value through profit or loss		(72,205,018)	(110,332,763)
(Loss)/Gain on foreign exchange		(8,963,093)	354,320
Interest received		16,708,600	10,370,020
Dividends received		825,825	184,335
Management fees paid		(3,073,962)	(2,468,190)
Other receipts		69,909	8,028
Other payments		(260,387)	(261,340)
Net cash outflow from operating activities	11 (b)	(66,898,126)	(102,145,590)
Cash flow from financing activities			
Distributions paid to unitholders		(14,025,207)	(10,687,487)
Proceeds from applications by unitholders		193,954,296	201,209,337
Payments for redemptions by unitholders		(103,406,412)	(68,479,503)
Net cash inflow from financing activities		76,522,677	122,042,347
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		9,624,551	19,896,757
Effect of exchange rate fluctuations on cash		62,105,031	42,368,068
		(48,492)	(159,794)
Cash and cash equivalents at the end of the year	11 (a)	71,681,090	62,105,031
Non-cash operating and financing activities	11 (c)	463,178	390,559

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General Information

The Fund is an unlisted registered managed investment scheme. The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

The Fund was constituted on 25 July 2012, registered as a managed investment scheme on 10 August 2012 and commenced operations on 26 September 2012.

The principal activity of the Fund is disclosed in the Directors' Report.

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

2 Adoption of New and Revised Accounting Standards

(a) Compliance with International Financial Reporting Standards (IFRS)

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

(b) New and Amended Standards adopted by the Fund

The Fund had to change some of its accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

- AASB 9 *Financial Instruments* (and applicable amendments)

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting.

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

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

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

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

2 Adoption of New and Revised Accounting Standards (continued)

(c) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

3 Summary of Significant Accounting Policies

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

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Fund's Constitution.

Compliance with Australian Accounting Standards, as issued by the AASB ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements, as issued by the IASB.

(b) Basis of Preparation

This general purpose financial report has been prepared using the historical cost convention, except for the revaluation of investments in financial assets and liabilities, which have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for certain investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

All amounts are presented in Australian dollars as the functional and presentational currency of the Fund.

Certain amounts included in the prior year comparatives have been re-classified to conform to the current year's presentation.

(c) Going Concern Basis

This financial report has been prepared on a going concern basis.

(d) Revenue and Income Recognition

(i) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

(ii) Distributions

Distributions from investments are recognised when the right to receive the payment is established.

(iii) Dividends

Dividend income is recognised on the ex-dividend date.

3 Summary of Significant Accounting Policies (continued)

(d) Revenue and Income Recognition (continued)

(iv) Interest income

Interest income is recognised on a time proportionate basis taking into account the effective yield on the financial assets.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and cash balances held with brokers.

(f) Investments in Financial Instruments

Investments in financial instruments, as defined by AASB 132 *Financial Instruments: Presentation*, are categorised in accordance with AASB 9 *Financial Instruments* and disclosed in accordance with AASB 7 *Financial Instruments: Disclosures*. This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial year end.

(i) Designated at fair value through profit or loss

Investments of the Fund that have been designated at fair value through profit or loss include but are not limited to derivatives, asset backed securities, corporate bonds, floating rate notes and hybrid securities. All investments are initially recognised at fair value of the consideration paid including transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are re-valued to fair value at each reporting date.

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities held by the Fund is the current close price.

Changes in the fair value of the investment are included in the Statement of Comprehensive Income as an unrealised appreciation or depreciation on Fund investments.

The investments held by the Fund have been designated at fair value through profit or loss as doing so results in more relevant information. These investments are part of a full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

The Fund recognises a financial asset when it becomes a party to the contractual provisions of the instrument.

Where the derivative assets and liabilities are traded on an exchange, their fair value is determined by reference to quoted market prices or binding dealer quotations at the balance date.

Where the derivative assets and liabilities are not traded on an exchange, their fair value is determined by reference to counterparty valuations or by the investment manager using valuation techniques largely based on market observable inputs, including discounted cash flows and option pricing models as appropriate at the balance date.

(ii) Derivative financial instruments

The Fund may enter into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3 Summary of Significant Accounting Policies (continued)

(g) Expenses

All expenses of the Fund are recognised in the Statement of Comprehensive Income on an accruals basis.

(h) Taxation

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no taxable income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net taxable income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

(i) Distributions

In accordance with the offer documents of the Fund, distributions (if any) to unitholders are determined as soon as practicable after each month end. Where an income entitlement is to be distributed in cash, the distribution is generally made within 14 business days of the end of each calendar month, other than the 30 June month end, which will generally be paid within two months.

During the financial year, the Responsible Entity determines the distributable income (if any) for a distribution period to be distributed to unitholders which is based on a conservative estimate of distributable income for the whole financial year.

The final distribution for the financial year will include the amount by which the distributable income (if any) for the financial year exceeds the aggregate of distributions to unitholders previously made during the financial year. In the event the amount distributed to unitholders during a financial year exceeds the actual income of the Fund for that financial year, the excess amount paid to unitholders will be classified as a capital distribution.

Distributable income includes capital gains arising from the disposal of investments. Unrealised gains or loss on investments that are recognised in the Statement of Comprehensive Income are not distributed until realised. Capital losses are not distributed to unitholders and are retained to be offset against future realised capital gains.

(j) Foreign Currency Transactions

The functional and presentation currency for the Fund is Australian Dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The differences arising from these foreign currency translations are recognised in the Statement of Comprehensive Income in the period in which they arise.

(k) Receivables

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 3 (d) above. Receivables include items such as Reduced Input Tax Credits ("RITC").

(l) Payables

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

3 Summary of Significant Accounting Policies (continued)

(m) Applications and Redemptions

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

(n) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in note 3 (f) of these financial statements.

(o) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the tax authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(p) Net Assets Attributable to Unitholders

The participating units issued by the Fund provide the unitholders with the right to redeem their units for cash equal to their proportionate share of the net asset value of the Fund. AASB 132 permits certain puttable instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity on liquidation to be classified as equity, subject to specified criteria being met. The Fund's redeemable participating units do not meet the specified criteria and have been consequently classified as liabilities. The liability to participating unitholders is presented on the Statement of Financial Position as "Net assets attributable to unitholders" and is determined based on the residual assets of the Fund after deducting the Fund's other liabilities.

4 Financial Risk Management Objectives and Policies

Risks arising from holding financial instruments are inherent in the Fund's activities. These risks are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Fund comprise investments in financial assets held for the purpose of generating a return on the investment made by unitholders. In addition, the Fund also holds cash and cash equivalents and other financial instruments such as trade debtors and creditors, which arise directly from the operations of the Fund. The responsibility for identifying and controlling the risks that arise from these instruments is that of the investment manager of the Fund.

4 Financial Risk Management Objectives and Policies (continued)

The method used to measure the risks reflects the expected impact on the performance of the Fund as well as the assets attributable to unitholders of the Fund resulting from reasonably possible changes in the relevant risk variables. Information regarding the Fund's risk exposure is prepared and monitored by the Responsible Entity against established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund as well as the level of risk the Fund is willing to accept. Information about these risk exposures at reporting date is disclosed below.

(a) Credit Risk

Credit risk represents the risk that the Fund will incur financial loss as a result of a failure by a counter party to discharge an obligation to a financial instrument. This risk may be minimised by:

- ensuring counterparties, together with their respective credit limits, are approved;
- ensuring that the transactions are undertaken with a large number of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

The investment manager allocates capital to high yielding, income producing investments and securities which may be complemented by capital appreciation. Approximately 75% of the Fund is targeted at investment grade assets. These are assets which are considered entities and/or securities that have an internal or external credit rating of BBB- or higher. Issuers of investment grade securities are considered to have a strong capacity to meet their payment obligations.

The following table details the breakdown by credit rating of the underlying investment assets held by the Fund:

	As at			
	30 June 2019		30 June 2018	
	\$	% of portfolio	\$	% of portfolio
AAA	11,088,244	2.24%	51,772,211	12.87%
AA	31,632,188	6.40%	28,355,204	7.05%
A	140,186,061	28.35%	107,712,241	26.78%
BBB	195,639,964	39.57%	160,417,466	39.89%
BB	74,160,924	15.00%	39,695,216	9.87%
B	29,784,433	6.02%	6,837,804	1.70%
Unrated	11,922,543	2.41%	7,397,957	1.84%
	494,414,357	100.00%	402,188,099	100.00%

(b) Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices liquidity. Market risk is managed and monitored on an ongoing basis by the investment manager.

(i) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund may be exposed to foreign currency risk if its portfolio includes securities that are denominated in a foreign currency. Currency risk may be reduced by the use of cross-currency swap, foreign exchange forwards and spot contracts.

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(i) Currency risk (continued)

The Fund's exposure to currency risk is set out in the following table:

	USD \$	NZD \$	AUD \$	Total \$
30 June 2019				
Assets				
Cash and cash equivalents	10,809,805	436,672	60,434,613	71,681,090
Other receivables	1,023,885	28,478	1,884,722	2,937,085
Receivables on investment sold	-	-	20,548	20,548
Investments in term deposits	-	-	3,189,876	3,189,876
Financial assets held at fair value through profit or loss	(7,388,466)	14,353,590	409,620,634	416,585,758
Total assets	4,445,224	14,818,740	475,150,393	494,414,357
Liabilities				
Distributions payable	-	-	3,484,390	3,484,390
Management fees payable	-	-	284,049	284,049
Payables on investment purchased	3,004,071	-	-	3,004,071
Financial liabilities held at fair value through profit or loss	1,783,108	14,584,766	(14,511,067)	1,856,807
Total liabilities (excluding net assets attributable to unitholders)	4,787,179	14,584,766	(10,742,628)	8,629,317
Net currency exposure	(341,955)	233,974	485,893,021	485,785,040
30 June 2018				
Assets				
Cash and cash equivalents	1,350,857	921,702	59,832,472	62,105,031
Other receivables	628,464	25,146	1,403,679	2,057,289
Receivables on investment sold	-	-	5,781,742	5,781,742
Investments in term deposits	-	-	1,134,538	1,134,538
Financial assets held at fair value through profit or loss	53,852,611	(675,090)	277,931,978	331,109,499
Total assets	55,831,932	271,758	346,084,409	402,188,099
Liabilities				
Distributions payable	-	-	2,253,330	2,253,330
Management fees payable	-	-	233,401	233,401
Payables on investment purchased	-	-	5,772,239	5,772,239
Financial liabilities held at fair value through profit or loss	56,592,729	-	(54,608,700)	1,984,029
Total liabilities (excluding net assets attributable to unitholders)	56,592,729	-	(46,349,730)	10,242,999
Net currency exposure	(760,797)	271,758	392,434,139	391,945,100

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(i) Currency risk (continued)

The following table demonstrates the sensitivity of the Fund's Statement of Comprehensive Income to a reasonable change in foreign exchange rates, with all other variables held constant.

	<u>Change in foreign exchange rate increase/(decrease)</u>	<u>Effect on net profit and net assets attributable to unitholders</u> \$
Year ended 30 June 2019		
USD/AUD	20%/(20%)	(68,391)/68,391
NZD/AUD	20%/(20%)	46,795/(46,795)
Year ended 30 June 2018		
USD/AUD	20%/(20%)	(152,159)/152,159
NZD/AUD	20%/(20%)	54,351/(54,351)

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Fund's exposure to interest rate risk is set out in the following table:

	<u>Floating interest rate</u> \$	<u>Fixed interest rate</u> \$	<u>Non-interest bearing</u> \$	<u>Total</u> \$
30 June 2019				
Assets				
Cash and cash equivalents	71,681,090	-	-	71,681,090
Other receivables	-	-	2,937,085	2,937,085
Receivables on investment sold	-	-	20,548	20,548
Investments in term deposits	-	3,189,876	-	3,189,876
Financial assets held at fair value through profit or loss	250,685,405	107,619,087	58,281,266	416,585,758
Total assets	322,366,495	110,808,963	61,238,899	494,414,357
Liabilities				
Distributions payable	-	-	3,484,390	3,484,390
Management fees payable	-	-	284,049	284,049
Payables on investment purchased	-	-	3,004,071	3,004,071
Financial liabilities held at fair value through profit or loss	-	-	1,856,807	1,856,807
Total liabilities (excluding net assets attributable to unitholders)	-	-	8,629,317	8,629,317
Net exposure	322,366,495	110,808,963	52,609,582	485,785,040
30 June 2018				
Assets				
Cash and cash equivalents	62,105,031	-	-	62,105,031
Other receivables	-	-	2,057,289	2,057,289
Receivables on investment sold	-	-	5,781,742	5,781,742
Investments in term deposits	-	1,134,538	-	1,134,538
Financial assets held at fair value through profit or loss	184,078,718	36,429,408	110,601,373	331,109,499
Total assets	246,183,749	37,563,946	118,440,404	402,188,099

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(ii) Interest rate risk (continued)

	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Liabilities				
Distributions payable	-	-	2,253,330	2,253,330
Management fees payable	-	-	233,401	233,401
Payables on investment purchased	-	-	5,772,239	5,772,239
Financial liabilities held at fair value through profit or loss	-	-	1,984,029	1,984,029
Total liabilities (excluding net assets attributable to unitholders)	-	-	10,242,999	10,242,999
Net exposure	246,183,749	37,563,946	108,197,405	391,945,100

The following table demonstrates the sensitivity of the Fund's Statement of Financial Position and Statement of Comprehensive Income to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on a change in the AUD cash interest rates, relative to the Fund interest rate risk position as at 30 June 2019 and 30 June 2018:

	<u>Change in basis points rate increase/(decrease)</u>	<u>Effect on net profit and net assets attributable to unitholders</u> \$
Year ended 30 June 2019		
AUD interest rate	25bp/(25bp)	805,916/(805,916)
Year ended 30 June 2018		
AUD interest rate	25bp/(25bp)	615,459/(615,459)

(iii) Price risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk is managed by monitoring compliance with established investment mandate limits. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As at 30 June 2019, a positive 10% sensitivity would have had an impact in the Fund's Statement of Comprehensive Income and Net Assets Attributable to Unitholders of \$41,658,576 (2018: \$33,110,950). A negative sensitivity would have an equal but opposite impact.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. There is no guaranteed market for some of the credit products that the Fund invests in. Accordingly, the Fund may need to wait before it is able to liquidate various assets in its portfolio. The market for credit products may lack liquidity because of insufficient trading activity. This may make it difficult or impossible to realise assets in the Fund leading to reduced profits and increased losses for the Fund.

In order to control the liquidity risk associated with its investments, the Fund conducts its investing activities in accordance with agreed guidelines and leverage ratios to ensure a minimal concentration of risk.

4 Financial Risk Management Objectives and Policies (continued)

(c) Liquidity Risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining year from 30 June 2019 and 30 June 2018 to the contractual maturity date.

	30 June 2019					Total
	On demand	< 1 month	1-3 months	3-12 months	> 12 months	
	\$	\$	\$	\$	\$	\$
Liabilities						
Distributions payable	-	3,484,390	-	-	-	3,484,390
Management fees payable	-	284,049	-	-	-	284,049
Payables on investments purchased	-	3,004,071	-	-	-	3,004,071
Financial liabilities held at fair value through profit or loss	-	-	1,856,807	-	-	1,856,807
Net assets attributable to unitholders	485,785,040	-	-	-	-	485,785,040
Total liabilities	485,785,040	6,772,510	1,856,807	-	-	494,414,357

	30 June 2018					Total
	On demand	< 1 month	1-3 months	3-12 months	> 12 months	
	\$	\$	\$	\$	\$	\$
Liabilities						
Distributions payable	-	2,253,330	-	-	-	2,253,330
Management fees payable	-	233,401	-	-	-	233,401
Payables on investments purchased	-	5,772,239	-	-	-	5,772,239
Financial liabilities held at fair value through profit or loss	-	-	1,984,029	-	-	1,984,029
Net assets attributable to unitholders	391,945,100	-	-	-	-	391,945,100
Total liabilities	391,945,100	8,258,970	1,984,029	-	-	402,188,099

The amounts in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

5 Net Gains/(Losses) on Financial Instruments Designated at Fair Value through Profit or Loss

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Net realised (losses)/gains on financial instruments held at fair value through profit or loss	(8,151,563)	3,194,911
Net unrealised (losses)/gains on financial instruments held at fair value through profit or loss	11,600,753	(3,126,430)
Total net gains on financial instruments held at fair value through profit or loss	3,449,190	68,481

6 Investments in Financial Instruments

Financial assets designated as fair value through profit or loss

	As at	
	30 June 2019	30 June 2018
	\$	\$
Financial assets designated at fair value through profit or loss		
Investment in asset backed securities	138,669,541	126,023,302
Investment in corporate bonds	245,279,412	188,774,379
Investment in equity securities	31,457,221	16,239,294
Investment in derivatives	1,179,584	72,524
Total financial assets designated at fair value through profit or loss	416,585,758	331,109,499

6 Investments in Financial Instruments (continued)

Financial liabilities designated as fair value through profit or loss

Financial liabilities designated at fair value through profit or loss		
Investment in derivatives	1,856,807	1,984,029
Total financial liabilities designated at fair value through profit or loss	1,856,807	1,984,029

Fair value hierarchy

Financial instruments carried at fair value are categorised under a three level hierarchy. Financial instruments are categorised based on the observable market inputs when estimating their fair value. If different levels of inputs are used to measure a financial instrument's fair value, the instrument's classification within the hierarchy is based on the lowest level of input that was significant to the fair value measurement.

Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at 30 June 2019 and 30 June 2018, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets				
Investment in asset backed securities	-	138,669,541	-	138,669,541
Investment in corporate bonds	-	245,279,412	-	245,279,412
Investment in equity securities	31,457,221	-	-	31,457,221
Investment in derivatives	1,179,584	-	-	1,179,584
Total financial assets designated at fair value through profit or loss	32,636,805	383,948,953	-	416,585,758
Financial liabilities				
Investment in derivatives	1,856,807	-	-	1,856,807
Total financial liabilities designated at fair value through profit or loss	1,856,807	-	-	1,856,807

6 Investments in Financial Instruments (continued)

Fair value hierarchy (continued)

	30 June 2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets				
Investment in asset backed securities	-	126,023,302	-	126,023,302
Investment in corporate bonds	-	188,774,379	-	188,774,379
Investment in equity securities	16,239,294	-	-	16,239,294
Investment in derivatives	72,524	-	-	72,524
Total financial assets designated at fair value through profit or loss	16,311,818	314,797,681	-	331,109,499
Financial liabilities				
Investment in derivatives	1,984,029	-	-	1,984,029
Total financial liabilities designated at fair value through profit or loss	1,984,029	-	-	1,984,029

There were no transfers between levels 1, 2 and 3 during the year. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to derive level 1, level 2 and level 3 fair values

Level 1

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 30 June 2019 the Fund had \$32,636,805 (2018: \$16,311,818) financial assets held at fair value through profit or loss included in level 1. As at 30 June 2019 the Fund also had \$1,856,807 (2018: \$1,984,029) financial liabilities held at fair value through profit or loss included in level 1.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2019, the Fund had \$383,948,953 (2018: \$314,797,681) financial instruments in level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2019, the Fund had \$nil (2018: \$ nil) financial assets held at fair value through profit or loss included in level 3.

Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

7 Derivative Financial Instruments

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

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

7 Derivative Financial Instruments (continued)

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

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy.

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

The Fund holds the following derivative instruments.

(a) Futures

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

(b) Options

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

(c) Forward currency contracts

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

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

	Notional Value \$	Assets \$	Liabilities \$
30 June 2019			
Exchange traded derivatives			
Exchange traded futures	(18,412,195)	-	(1,688,347)
Foreign currency forward contracts	(132,737,278)	1,179,584	(168,460)
30 June 2018			
Exchange traded derivatives			
Exchange traded futures	(19,558,930)	-	(310,670)
Foreign currency forward contracts	(68,029,568)	72,524	(1,673,359)

8 Other Receivables

	As at	
	30 June 2019 \$	30 June 2018 \$
GST receivable	55,873	58,098
Prepayments	113,302	128,431
Interest receivable	2,626,011	1,776,248
General Fund expenses receivable	141,899	94,512
Total receivables	2,937,085	2,067,289

9 Net Assets Attributable to Unitholders

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

Ordinary Units

	Year ended 30 June 2019		Year ended 30 June 2018	
	No. of Units	\$	No. of Units	\$
Balance as at 1 July	7,051,972	7,235,952	9,596,966	10,006,632
Applications for units by unitholders	947,960	1,002,999	2,290,194	2,441,084
Redemptions of units by unitholders	(3,162,041)	(3,352,298)	(4,883,760)	(5,203,921)
Reinvestments by unitholders	68,687	72,583	48,572	51,706
(Decrease)/increase in net assets attributable to unitholders	-	209,843	-	(59,549)
Closing balance as at 30 June	4,906,578	5,169,079	7,051,972	7,235,952

Wholesale Units

	Year ended 30 June 2019		Year ended 30 June 2018	
	No. of Units	\$	No. of Units	\$
Balance as at 1 July	359,639,578	380,990,494	235,135,927	250,889,934
Applications for units by unitholders	163,778,536	174,481,831	183,288,411	195,852,253
Redemptions of units by unitholders	(93,502,934)	(99,386,626)	(59,069,249)	(63,018,111)
Reinvestments by unitholders	346,359	368,118	284,489	303,308
(Decrease)/increase in net assets attributable to unitholders	-	2,444,241	-	(3,036,890)
Closing balance as at 30 June	430,261,539	458,898,058	359,639,578	380,990,494

Adviser Units

	Year ended 30 June 2019		Year ended 30 June 2018	
	No. of Units	\$	No. of Units	\$
Balance as at 1 July	3,583,482	3,718,654	986,240	1,054,840
Applications for units by unitholders	17,530,986	18,153,731	2,811,112	2,916,000
Redemptions of units by unitholders	(584,825)	(607,070)	(248,177)	(257,471)
Reinvestments by unitholders	21,366	22,131	34,307	35,545
(Decrease)/increase in net assets attributable to unitholders	-	179,361	-	(30,260)
Closing balance as at 30 June	20,551,009	21,466,807	3,583,482	3,718,654

mFund Units

	Year ended 30 June 2019		Year ended 30 June 2018	
	No. of Units	\$	No. of Units	\$
Balance as at 1 July	-	-	-	-
Applications for units by unitholders	296,328	315,735	-	-
Redemptions of units by unitholders	(56,609)	(60,418)	-	-
Reinvestments by unitholders	325	346	-	-
(Decrease)/increase in net assets attributable to unitholders	-	(4,566)	-	-
Closing balance as at 30 June	240,044	251,096	-	-

9 Net Assets Attributable to Unitholders (continued)

Total Units	Year ended 30 June 2019		Year ended 30 June 2018	
	No. of Units	\$	No. of Units	\$
Balance as at 1 July	370,275,032	391,945,100	245,719,133	261,951,406
Applications for units by unitholders	182,553,810	193,954,296	188,389,717	201,209,337
Redemptions of units by unitholders	(97,306,409)	(103,406,412)	(64,201,186)	(68,479,503)
Reinvestments by unitholders	436,737	463,178	367,368	390,559
(Decrease)/increase in net assets attributable to unitholders	-	2,828,878	-	(3,126,699)
Closing balance as at 30 June	455,959,170	485,785,040	370,275,032	391,945,100

(a) Unit Classes

The Fund offers four classes of Units under the Product Disclosure Statements as follows;

- Ordinary Units;
- Wholesale Units; and
- Adviser Units.
- mFund Units;

(b) Terms and Conditions of Units on Issue

Wholesale Units rank equal with and have the same rights, restrictions, obligations, terms and conditions as Ordinary Units, Adviser Units and mFund Units except for the following:

- Wholesale Units are only able to be applied for by Wholesale Clients and be issued by the Responsible Entity to Wholesale Clients;
- a lower management fee is charged in respect of the Wholesale Units;
- the Wholesale Units have a different application price and withdrawal price reflecting the lower management fee charged; and
- if Wholesale Units are transferred to a Retail Client, the Transferred Wholesale Units are automatically be reclassified as, or converted to, Ordinary Units by the Responsible Entity (at the next relevant valuation time) pursuant to its reclassification and conversion power under the Constitution. The Transferred Wholesale Units are reclassified or converted to as many Ordinary Units having the same total value as the Transferred Wholesale Units. In reclassifying and converting the Transferred Wholesale Units to Ordinary Units, the Transferred Wholesale Units are consolidated or divided as appropriate.
- a lower management fee will be charged in respect of the mFund Units and the Wholesale Units;
- when mFund Units are available through ASX's mFund Service, Mfund Units will only able to be applied for or withdrawn through mFund via a broker;

Adviser Units rank equal with and have the same rights, restrictions, obligations, terms and conditions as Ordinary Units, Wholesale Units and mFund Units except for the following:

Adviser Units are only able to be applied for by Advised Clients and are only able to be issued by the Responsible Entity to Advised Clients.

An investor ceases to qualify as an Advised Client if the Responsible Entity is notified that:

- the investor has ceased to receive advisory services from an individual or entity who is an Approved Dealer Group or authorised by an Approved Dealer Group; or
- the Approved Dealer Group who has provided the investor with advisory services ceases to hold an appropriate AFSL for the purposes of advising or dealing in respect of interests in the Fund or to be eligible to rely upon an exemption from the requirement to hold an AFSL for such financial services.

Where an Ineligibility Event occurs, the Responsible Entity will provide the investor with written notice of the Ineligibility Event and will provide with the option to either:

- provide sufficient evidence to satisfy the Responsible Entity that an Ineligibility Event has not occurred; or
- elect to:
 - reclassify/convert the Adviser Units to Ordinary Units or Wholesale Units; or
 - withdraw from the Fund.

9 Net Assets Attributable to Unitholders (continued)

If the investor failed to either provide sufficient evidence to the Responsible Entity or make an election referred to above, within the Notice Period, the Adviser Units will automatically be reclassified as, or converted to either, Ordinary Units or Wholesale Units by the Responsible Entity pursuant to its reclassification and conversion power under the Constitution.

If Adviser Units are transferred to an investor who is not an Advised Client, the Transferred Adviser Units will be automatically reclassified or converted by the Responsible Entity (at the next relevant valuation time following the transfer) in the same manner as described above in respect of the automatic reclassification or conversion of the Ineligible Adviser Units.

10 Capital Management

As a result of the ability to issue, and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no material restrictions on the issue and redemption units other than where the fund is not liquid (as defined in the Corporations Act 2001 (Cth)). The Fund's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Fund's Product Disclosure Statements;
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by using various investment strategies;
- to maintain sufficient liquidity to meet the ongoing expenses of the Fund; and
- to maintain sufficient size to make the operation of the Fund cost-efficient.

11 Cash and Cash Equivalents

(a) Cash Investments

Cash and cash equivalents include cash at banks net of outstanding overdrafts and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	As at	
	30 June 2019	30 June 2018
	\$	\$
Cash at bank	70,867,066	62,246,748
Margin account	814,024	(141,717)
	<u>71,681,090</u>	<u>62,105,031</u>

(b) Reconciliation of Increase/(Decrease) in Net Assets Attributable to Unitholders for the year to Net Cash Flows Provided by/(Used in) Operating Activities:

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
(Decrease)/increase in net assets attributable to unitholders	2,828,878	(3,126,699)
Net (gains) on financial instruments held at fair value through profit or loss	(3,449,190)	(68,481)
Net proceeds from purchase and sale of financial assets designated at fair value through profit or loss	(72,205,018)	(110,332,763)
Loss/(Gain) on foreign exchange	(8,963,093)	354,320
Distributions to unitholders	15,719,445	11,848,689
Change in assets and liabilities:		
(Increase) in other assets	(879,796)	(904,378)
Increase in trade and other payables	50,648	83,722
Net cash outflow from operating activities	(66,898,126)	(102,145,590)

11 Cash and Cash Equivalents (continued)

(c) Non-cash financing activities

The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan

	463,178	390,559
Total non-cash operating and financing activities	463,178	390,559

12 Auditor's Remuneration

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

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Crowe Sydney		
Audit of the financial report - Crowe Sydney	13,950	13,200
	13,950	13,200
Ernst & Young		
Audit of compliance plan	3,400	-
	3,400	-
ESV Accounting and Business Advisors		
Audit of the financial report - ESV	-	8,000
	-	8,000
PricewaterhouseCoopers Australia		
Audit of compliance plan	-	3,300
	-	3,300
Total auditor's remuneration	17,350	24,500

Fees are stated exclusive of GST.

13 Commitments and Contingencies

There are no commitments or contingencies at 30 June 2019 (2018: nil).

14 Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

15 Related Party Transactions

(a) Responsible Entity Fees

The responsible entity of the Fund is OMIFL. The responsible entity fee is paid out of the management fee.

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Responsible entity fees for the year	233,625	188,203
Responsible entity fees payable at year end	-	-

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

15 Related Party Transactions (continued)

(b) Management Fees Paid and Payable to the Investment Manager

As stated in the Product Disclosure Statements, the Responsible Entity charges a management fee of 1.2% (including GST) of the gross asset value of the Fund referable to Ordinary Units; and 0.77% (including GST) of the gross asset value of the Fund referable to Wholesale Units, MFund Units and Adviser Units. The fee accrues daily and is payable monthly in arrears out of the assets of the Fund.

The costs of providing custodian, administrative and registry services to the Fund are paid out of the management fee.

Investment management fees are paid monthly in arrears to the investment manager of the Fund, Realm Investment Management Pty Ltd ("Investment Manager").

The following management fees were paid or payable out of the Fund's property during the year ended 30 June 2019:

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Management fees for the year	3,124,610	2,551,912
Management fees payable at year end	284,049	233,401

(c) Other Fees to Related Parties

As stated in the Product Disclosure Statements, the Responsible Entity is entitled to be reimbursed out of the assets of the Fund for Fund-related expenses, for example legal fees, taxation advice, audit fees and costs of members' meetings. An allowance for general Fund expenses of 0.1% (including GST) of the gross asset value of the Fund has been made, referable to Ordinary Units, Wholesale Units, MFund Units and Adviser Units. The fee accrues daily and expenses are paid upon receipt from the accrued balance out of the assets of the Fund.

(d) Key Management Personnel

(i) Responsible Entity

The Key Management Personnel of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary (appointed as a director on 26 October 2018)
Justin Epstein	Non-Executive Director from 1 January 2019 (Executive director to 31 December 2018)
Elizabeth Reddy	Non-Executive Director (resigned on 26 October 2018)

At inception, Justin Epstein was issued with 10 initial units valued at \$10. Holders of initial units do not have an interest or entitlement to share in any distributable amounts. The withdrawal price for initial units is the price paid by the unitholder to acquire the initial units. Holders of initial units are not entitled to receive notices of and attend general meetings or ordinary unitholders. Additionally, initial units have no voting rights. On winding up of the Fund, the holder of initial units is only entitled to payment of the price paid by the unitholder to acquire the initial units.

Key Management Personnel of the Responsible Entity and their associated entities did not hold any units in the Fund as at 30 June 2019 (2018: nil).

15 Related Party Transactions (continued)

(d) Key Management Personnel (continued)

(ii) Investment Manager

The Key Management Personnel of the Investment Manager are:

Name	Title
Andrew Papageorgiou	Director
Robert Camilleri	Director

The Key Management Personnel of the Investment Manager and their associated entities held the following units as at 30 June 2019 and 30 June 2018:

30 June 2019

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment \$	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
Andrew Papageorgiou	31,573	126,073	132,755	0.027%	94,500	-	2,530
Robert Camilleri	14,945	-	-	-	-	14,945	137
Total	46,518	126,073	132,755	0.027%	94,500	14,945	2,667

30 June 2018

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment \$	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
Andrew Papageorgiou	125,531	31,573	33,593	0.009%	-	93,958	2,980
Robert Camilleri	93,690	14,945	15,901	0.004%	-	78,745	1,325
Total	219,221	46,518	49,494	0.013%	-	172,703	4,305

(iii) Other transactions within the Fund

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