

Blue Sky Alliance Fund

ARSN 140 253 685

**Final financial statements for the reporting
period from 1 July 2017 to 26 June 2018**

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This final set of financial statements cover Blue Sky Alliance Fund as an individual entity.

The responsible entity of Blue Sky Alliance Fund is One Managed Investment Funds Limited (ABN 47 117 400 987).
The responsible entity's registered office is Level 11, 20 Hunter Street, Sydney, NSW 2000.

Directors' report

The directors of One Managed Investment Funds Limited, the responsible entity of Blue Sky Alliance Fund (ARSN 140 253 685) (the "Fund"), present their report together with the financial statements of the Fund for the reporting period from 1 July 2017 to 26 June 2018 (the "reporting period").

On 4 June 2018, the directors of the responsible entity issued a Notice advising unitholders that following a recommendation from the investment manager, Blue Sky Investment Science Asset Management Pty Ltd (the "Investment Manager"), the Fund would be wound down and proceeds of the sale of assets would be returned to unitholders. The date of the Fund closure was 26 June 2018.

Responsible entity

The responsible entity of the Blue Sky Alliance Fund is One Managed Investment Funds Limited (ABN 47 117 400 987) ("OMIFL" or the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 20 Hunter Street, Sydney, NSW 2000.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

Until its termination on 26 June 2018, the principal activity of the Fund was to invest funds in accordance with its investment objectives and guidelines as set out in the Fund's product disclosure statement ("PDS") and in accordance with the provisions of the Constitution.

Following the determination on 4 June 2018 to wind down the Fund, the Investment Manager commenced an orderly realisation of Fund assets. The Fund ceased operations with all investments sold and all monies due returned to unitholders. The Fund was closed on 26 June 2018.

The Fund did not have any employees during the reporting period.

Information about the Directors and senior management

The following names of the directors and company secretaries of OMIFL who held office during the reporting period and up to the date of this report are as follows:

Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

Review and results of operations

This is the final set of financial statements for the Fund, which has been wound up effective 26 June 2018.

During the period, prior to its termination, The Fund continued to invest its funds in accordance with the PDS and the provisions of the Fund's Constitution.

The directors do not regard the Fund as a going concern due to its closure on 26 June 2018. As a consequence, the financial statements for the reporting period ended 26 June 2018 were not prepared on a going concern basis whereas the financial statements for the reporting period ended 30 June 2017 were prepared on a going concern basis.

Directors' report (continued)

Review and results of operations (continued)

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

	For the reporting period from	
	1 July 2017 to 26 June 2018 \$	1 July 2016 to 30 June 2017 \$
Profit/(loss) before finance costs attributable to unitholders	<u>(4,440,531)</u>	<u>(2,339,476)</u>
<i>Distributions - Absolute Return Class</i>		
Distributions paid and payable	1,469,190	827,426
Distributions (cents per unit - CPU)	20.4560	6.5982
<i>Distributions - Real Return Class</i>		
Distributions paid and payable	1,212,795	118,955
Distributions (cents per unit - CPU)	12.4951	1.3445
<i>Distributions - Dynamic Macro Class</i>		
Distributions paid and payable	-	-
Distributions (cents per unit - CPU)	-	-

Indirect Cost Ratio ("ICR")

	2018 %	2017 %
Absolute Return Class	1.27	1.31
Real Return Class	1.31	1.16
Dynamic Macro Class (total)	1.64	1.67
Dynamic Macro Class (excluding performance fee)	1.64	1.67

The ICR calculation includes fees charged to the Fund during the reporting period, including those charged by the Responsible Entity directly for management of the assets. The fees charged to the Dynamic Macro Class include performance fees, no performance fees are charged to the Absolute Return and Real Return classes.

Expenses excluded from the ICR calculation are those that would have ordinarily been incurred by a direct investor in the underlying assets of the Fund, such as brokerage, transaction costs and government taxes.

The average unitholders' funds used to calculate the ICR is the average net assets of the Fund.

Significant changes in state of affairs

On 4 June 2018, the Responsible Entity determined to compulsorily redeem all units in the Fund, following the recommendation from the Investment Manager.

The Fund ceased operations and was closed on 26 June 2018 and all units issued by the Fund cancelled and all investments sold. All monies due were returned to unitholders through final payments made on 28 June 2018. The Fund had no further transactions.

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

Directors' report (continued)

Events occurring after the reporting period

As the Fund has been wound up effective 26 June 2018, there have been no matters or circumstances since 26 June 2018 that have significantly affected the operations of the Fund.

Likely developments and expected results of operations

The Fund has been wound up effective 26 June 2018.

Directors' report (continued)

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of OMIFL or the auditors of the Fund. So long as the officers of OMIFL act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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 Fund property during the reporting period are disclosed in note 13 of the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 13 of the financial statements.

Interests in the Fund

The movements in units on issue in the Fund during the reporting period are disclosed in note 5 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out on page 6.

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

Justin Epstein

Director



Sydney
12 July 2018

12 July 2018

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of Blue Sky Alliance Fund
Level 11
20 Hunter Street
SYDNEY NSW 2000

Dear Directors

Blue Sky Alliance 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 Blue Sky Alliance Fund for the financial period 1 July 2017 to 26 June 2018, 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 HORWATH SYDNEY



SUWARTI ASMONO
Partner

Blue Sky Alliance Fund
Statement of comprehensive income
For the reporting period from 1 July 2017 to 26 June 2018

Statement of comprehensive income

		For the reporting period from 1 July 2017 to 26 June 2018	1 July 2016 to 30 June 2017
	Notes	\$	\$
Investment income			
Interest income		3,682	4,458
Trust distributions	3	2,550,000	719,989
Net gains/(losses) on financial instruments held at fair value through profit or loss		(6,312,910)	(2,258,320)
Other income		4,551	-
Total investment income		<u>(3,754,677)</u>	<u>(1,533,873)</u>
Expenses			
Management and performance fees	13	619,140	767,032
Other expenses		66,714	38,571
Total expenses		<u>685,854</u>	<u>805,603</u>
Profit/(loss) before finance costs attributable to unitholders		<u>(4,440,531)</u>	<u>(2,339,476)</u>
Finance costs attributable to unitholders			
Distributions to unitholders	6	2,681,985	946,421
Increase/(decrease) in net assets attributable to unitholders	5	<u>(7,122,516)</u>	<u>(3,285,897)</u>
Profit/(loss) for the reporting period attributable to unitholders		<u>-</u>	<u>-</u>
Other comprehensive income for the reporting period attributable to unitholders		<u>-</u>	<u>-</u>
Total comprehensive income for the reporting period attributable to unitholders		<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	
		26 June	30 June
		2018	2017
	Notes	\$	\$
Assets			
Cash and cash equivalents	7	-	362,422
Receivables		-	1,256,785
Financial assets held at fair value through profit or loss	8	-	48,669,485
Total assets		-	50,288,692
Liabilities			
Distributions payable	6	-	946,421
Payables		-	650,014
Total liabilities (excluding net assets attributable to unitholders)		-	1,596,435
Net assets attributable to unitholders - liability	5	-	48,692,257

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

Statement of changes in equity

	For the reporting period from	
	1 July 2017 to 26 June 2018	1 July 2016 to 30 June 2017
	\$	\$
Total equity at the beginning of the reporting period	-	-
Profit/(loss) for the reporting period attributable to unitholders	-	-
Other comprehensive income for the reporting period attributable to unitholders	-	-
Total comprehensive income for the reporting period attributable to unitholders	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the reporting period	-	-

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in note 5.

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

Statement of cash flows

		For the reporting period from 1 July 2017 to 26 June 2018	1 July 2016 to 30 June 2017
	Notes	\$	\$
<i>Cash flows from operating activities</i>			
Proceeds from sale of financial instruments held at fair value through profit or loss		57,644,499	20,309,178
Purchase of financial instruments held at fair value through profit or loss		(14,781,427)	(10,447,016)
Trust distributions received		3,269,990	1,303,268
Interest received		3,682	4,458
Other income received		4,551	-
Management fees paid		(725,863)	(692,661)
Payments of other expenses		(73,320)	(42,811)
Net cash inflow/(outflow) from operating activities	14(a)	<u>45,342,112</u>	<u>10,434,416</u>
<i>Cash flows from financing activities</i>			
Proceeds from applications by unitholders		13,257,856	9,617,487
Payments for redemptions by unitholders		(56,077,714)	(19,696,307)
Distributions paid		(2,884,676)	(277,890)
Net cash inflow/(outflow) from financing activities		<u>(45,704,534)</u>	<u>(10,356,710)</u>
Net increase/(decrease) in cash and cash equivalents		(362,422)	77,706
Cash and cash equivalents at the beginning of the reporting period		<u>362,422</u>	<u>284,716</u>
Cash and cash equivalents at the end of the reporting period	7,14(b)	<u>-</u>	<u>362,422</u>
Non-cash financing activities	14(c)	<u>-</u>	<u>1,786,509</u>

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

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1 General information

These financial statements include separate financial statements for Blue Sky Alliance Fund (ARSN 140 253 685) (the "Fund") as an individual entity. The Fund was constituted on 26 June 2009.

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987) ("OMIFL" or the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 20 Hunter Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The Fund ceased operations and was closed on 26 June 2018 and all units issued by the Fund cancelled and all investments sold. All monies due were returned to unitholders through final payments made on 28 June 2018. The Fund had no further transactions.

The financial statements are for the period from 1 July 2017 to 26 June 2018 (the "reporting period"). The comparative information period encompasses the period from 1 July 2016 to 30 June 2017.

These financial statements are the final financial statements to be issued for the Fund.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards as they apply to a Fund which is no longer a going concern, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The directors do not regard the Fund as a going concern due to its closure on 26 June 2018. As a consequence, the financial statements for the reporting period ended 26 June 2018 were prepared on a non-going concern basis.

The Fund is a for-profit entity for the purposes of preparing the financial statements.

The financial statements of the Fund for the reporting period were prepared on a 'fair value measurement' basis (unless otherwise stated) which is the same basis that the Fund has been consistently applied for all reporting periods presented.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

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

New /Amended standards adopted by the Fund

The Fund applied the following accounting standard amendments which became effective for the first time for the reporting period:

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (effective from 1 January 2017). This amendment requires entities to provide disclosures that enable users of financial statements to evaluate cash and non-cash changes in their financial activities. The adoption of AASB 2016-2 did not have any significant impact on the fund's financial statements

There were no other new or amended standards and interpretations that became effective for the first time for the reporting period that were relevant to the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- *Financial assets and liabilities held at fair value through profit or loss*

The Fund's investments are categorised as held at fair value through profit or loss. They comprise:

- *Financial instruments held for trading*

These may include derivative financial instruments including futures, forward contracts, options and interest rate swaps. The Fund does not designate any derivatives as hedges in a hedging relationship.

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

- *Financial instruments designated at fair value through profit or loss upon initial recognition*

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These may include investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The information on the fair value basis is provided internally to the Fund's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

(ii) Recognition/derecognition

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

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

(iii) Measurement

- *Financial assets and liabilities held at fair value through profit or loss*

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

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current mid-market prices, while financial liabilities are priced at current asking prices.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

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

The Fund's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to listed derivatives, where applicable.

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the Statement of comprehensive income to reflect a change in factors, including time, which market participants would consider in setting a price.

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

Investments in unlisted unit trusts are recorded at the net asset value per unit as reported by the managers of such trusts.

The Fund's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments ranging from investments in unlisted unit trusts, unlisted equity and/or debt securities to over the counter derivatives, where applicable.

- *Loans and receivables/payables*

Loans and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, loans are carried at amortised cost using the effective interest method, less impairment losses, if any. Short term receivables/payables are carried at their initial fair values.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when, and only when, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

As the Fund has rejected any redemption requests received during the week ending 1 June 2018, only redemption requests received up to and including 25 May 2018 were redeemable at the unitholder's option and are classified as financial liabilities due to mandatory distributions. The units could have been put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units up to that time was measured at the redemption amount that was payable (based on the redemption unit price) at the end of the reporting period if unitholders' exercised their right to put the units back to the Fund.

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the Statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.

(e) Investment income

Interest income and interest expenses are recognised in the Statement of comprehensive income for all financial instruments on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the Statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

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

(h) Distributions

In accordance with the Fund's Constitution, the Fund distributed income adjusted for amounts determined by the Responsible Entity, to unitholders by cash. The distributions were recognised in the Statement of comprehensive income as finance costs attributable to unitholders.

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

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

(j) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation (continued)

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

(k) Receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders.

(l) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(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.

Unit redemption prices are determined by reference to the net assets of the Fund divided by the number of units on issue.

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

Expenses of various services provided to the Fund by third parties such as custodial services and investment management fees etc are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the Statement of financial position.

Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(o) Use of estimates

The Fund does not make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period apart from the following:

- for the Fund's managed fund investments, quoted redemption prices are readily available and for options and futures quoted market prices are readily available.
- for certain other financial instruments, including amounts due from/to brokers, accounts payable and accounts receivable, the carrying amounts equate with fair value due to the immediate or short-term nature of these financial instruments.

(p) New accounting standards and interpretations

There are no mandatory standards, interpretations or amendments to existing standards that are effective for the first time for the reporting period beginning 1 July 2017 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(q) Margin accounts

Margin accounts are comprised of cash held as collateral for derivative transactions and short sales. The cash is held by the broker in client segregated accounts and is only available to meet margin calls.

3 Trust distributions

	For the reporting period from	
	1 July 2017 to 26 June 2018 \$	1 July 2016 to 30 June 2017 \$
Trust distributions		
Unlisted unit trusts	<u>2,550,000</u>	<u>719,989</u>
	2,550,000	719,989

4 Auditor's remuneration

The audit fees of the Fund were paid from administration costs accrued in the Fund. The Responsible Entity has the right to charge audit fees directly to the Fund.

The fees paid/payable in relation to audit services were:

	For the reporting period from	
	1 July 2017 to 26 June 2018 \$	1 July 2016 to 30 June 2017 \$
Audit and other assurance services		
Crowe Horwath Sydney	20,800	-
HLB Mann Judd	-	24,500
PwC	-	2,040
EY	<u>3,300</u>	<u>-</u>
Total remuneration for audit and other assurance services	<u>24,100</u>	<u>26,540</u>

5 Net assets attributable to unitholders

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

	For the reporting period from			
	1 July 2017 to 26 June 2018 No.	1 July 2017 to 30 June 2017 No.	1 July 2017 to 26 June 2018 \$	1 July 2017 to 30 June 2017 \$
Net assets attributable to unitholders				
Opening balance	42,935,119	52,177,262	48,692,257	59,870,580
Applications	12,033,174	8,215,495	13,706,667	10,074,947
Redemptions	(55,846,696)	(19,447,934)	(56,020,138)	(19,753,882)
Units issued upon reinvestment of distributions	878,403	1,990,296	743,730	1,786,509
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>(7,122,516)</u>	<u>(3,285,897)</u>
Closing balance	<u>-</u>	<u>42,935,119</u>	<u>-</u>	<u>48,692,257</u>

5 Net assets attributable to unitholders (continued)

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does extend to a right to the underlying assets of the Fund. There are three separate classes of units. Each unit within the same class has the same rights as all other units within that class. Except for different management and performance fee rates, the different classes have the same preferences and restrictions.

Capital risk management

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

Weekly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

6 Distributions to unitholders

The distributions were paid/payable as follows:

	For the reporting period from			
	1 July 2017 to 26 June 2018 \$	1 July 2017 to 26 June 2018 CPU	1 July 2016 to 30 June 2017 \$	1 July 2016 to 30 June 2017 CPU
Distributions - Absolute Return Class				
Distribution paid and payable	<u>1,469,190</u>	<u>20.4560</u>	<u>827,426</u>	<u>6.5982</u>
Distributions - Real Return Class				
Distribution paid and payable	<u>1,212,795</u>	<u>12.4951</u>	<u>118,995</u>	<u>1.3445</u>
Distributions - Dynamic Macro Class				
Distribution paid and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,681,985</u>		<u>946,421</u>	

7 Cash and cash equivalents

	As at	
	26 June 2018 \$	30 June 2017 \$
Cash at bank	<u>-</u>	<u>362,422</u>
	<u>-</u>	<u>362,422</u>

8 Financial assets held at fair value through profit or loss

	As at 26 June 2018 \$	30 June 2017 \$
Designated at fair value through profit or loss		
Unlisted unit trusts	-	48,669,485
Total designated at fair value through profit or loss	-	48,669,485
Total financial assets held at fair value through profit or loss	-	48,669,485

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 11.

9 Investments in controlled trusts

Investments in controlled trusts are recorded in the Fund within financial assets held at fair value through profit or loss.

	Fair value 26 June 2018 \$	30 June 2017 \$	Equity holding ** 26 June 2018 %	30 June 2017 %
Blue Sky Alliance Fund				
Absolute Return	-	10,387,165	-	100
Real Return	-	9,262,116	-	100
Dynamic Macro	-	29,021,621	-	100

** The proportion of ownership interest is equal to the proportion of voting power held.

The Fund acquires units in the above entities at their redemption price which reflects the fair value of the underlying investments.

The Fund qualifies for and has applied the investment entity exemption and therefore is no longer required to consolidate its controlled trusts. The Fund accounts for the above investments at fair value through profit or loss and includes them as part of the financial statement caption of "financial assets held at fair value through profit or loss", with any changes in its fair value are taken to profit or loss and recorded as part of "net gains/(losses) on financial instruments held at fair value through profit or loss".

The Fund's exposure to certain risks is a result of financial instruments held by its controlled trusts, hence, the risks associated with both the Fund and the controlled trusts will be reported in the "Derivative financial instruments" and "Financial risk management" notes.

10 Derivative financial instruments

The Fund does not hold any derivative financial instruments directly, but it was exposed to certain risks due to derivatives held by its controlled trusts. 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.

10 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, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, the Absolute Return and Real Return Portfolios do not employ leverage directly. However, the controlled trusts and managed accounts in which they invest may employ leverage.

The Dynamic Macro Portfolio was leveraged through the use of derivatives and short selling to implement the investment strategy, subject to a long term volatility target of 16% per annum. The volatility target implicitly constrains the level of leverage within these Portfolios.

The controlled trusts held the following derivative instruments before the termination:

(a) Futures and commodities

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

(b) Options on futures

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 controlled trusts are exchange-traded. The Fund was exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options were settled on a gross basis.

The controlled trusts' derivative financial instruments at reporting period end are detailed below:

	Fair Values	
	Assets	Liabilities
	\$	\$
26 June 2018		
Futures	-	-
Closing balance	-	-
	Fair Values	
	Assets	Liabilities
	\$	\$
30 June 2017		
Futures	4,336,059	3,306,178
Closing balance	4,336,059	3,306,178

11 Financial risk management

(a) Objectives, strategies, policies and processes

The Fund's activities may have exposed it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

11 Financial risk management (continued)

The Fund's overall risk management program focused on ensuring compliance with the Fund's Product Disclosure Statement and sought to maximise the returns derived for the level of risk to which the Fund was exposed. Financial risk management was carried out by Blue Sky Investment Science Asset Management Pty Ltd, the Fund's investment manager (the "Investment Manager") under policies approved by the board of directors of the Responsible Entity (the "Board") and the parent company of the Investment Manager.

The Fund used different methods to measure different types of risk to which it was exposed. These methods included sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Fund may have used derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign exchange risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Fund's and controlled trusts' direct investments and not on a look-through basis for investments held in the Fund or controlled trusts.

The sensitivity of the Fund's and controlled trusts' net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's and controlled trusts' investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund and controlled trusts invest. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

The overall market exposures were as follows:

	Fund As at		Controlled trusts As at	
	26 June 2018	30 June 2017	26 June 2018	30 June 2017
	\$	\$	\$	\$
Derivatives assets held for trading	-	-	-	4,336,059
Derivatives liabilities held for trading	-	-	-	(3,306,178)
Financial assets designated at fair value through profit or loss	-	48,669,485	-	18,796,647
	-	48,669,485	-	19,826,528

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Fund's investment portfolio. The investments are classified in the Statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Fund's and controlled trusts' overall market positions are monitored on a regular basis by the Fund's Investment Manager. This information and the compliance with the Fund's Product Disclosure Statement are reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

At 26 June 2018, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 26 June 2018		As at 30 June 2017	
	Increased by 5%	Decreased by 5%	Increased by 5%	Decreased by 5%
Fund	\$	\$	\$	\$
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	<u>-</u>	<u>-</u>	<u>2,433,474</u>	<u>(2,433,474)</u>

The analysis is performed on the same basis for the periods 1 July 2017 to 26 June 2018 and 1 July 2016 to 30 June 2017.

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund held no direct assets denominated in currencies other than the Australian dollar, the functional currency, however was exposed to future movements in foreign currency rates due to holdings of the controlled trusts. The controlled trusts were exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies fluctuated due to changes in exchange rates. The risk was measured using sensitivity analysis.

As stated in section (a) above, as part of its risk management strategy, the Fund used forward currency contracts to manage exposures resulting from changes in foreign currencies. On this basis, the Fund's overall exposure to foreign exchange risk was considered minimal after taking into account the forward currency contracts.

In accordance with the controlled trusts' policy, the Investment Manager monitored the controlled trusts' currency position on a regular basis. This information and the compliance with the controlled trusts' policy were reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

The foreign exchange risk disclosures have been prepared on the basis of the controlled trusts' direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the controlled trusts where the controlled trusts had significant investments in indirect trusts which also had exposure to the currency markets.

When the Investment Manager formulated a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factored that into its portfolio allocation decisions. While the controlled trusts had direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated securities, it may also have been indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the controlled trusts invested, even if those entities' securities were denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on the controlled trusts' net assets attributable to unitholders of future movements in foreign exchange rates.

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the controlled trusts' assets and liabilities which are denominated in Australian and non-Australian currencies:

Controlled trusts

26 June 2018	Australian Dollars A\$	US Dollars A\$	Euro A\$	Japanese Yen A\$	Other currencies A\$	Total A\$
Assets						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Financial assets held at fair value through profit or loss						
Held for trading						
Futures	-	-	-	-	-	-
Designated at fair value through profit or loss						
Unlisted equities	-	-	-	-	-	-
Unlisted unit trusts	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Distributions payable	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Financial liabilities held at fair value through profit or loss						
Held for trading						
Futures	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	-	-

11 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Controlled trusts

30 June 2017	Australian Dollars A\$	US Dollars A\$	Euro A\$	Japanese Yen A\$	Other currencies A\$	Total A\$
Assets						
Cash and cash equivalents	26,052,448	3,115,572	131,741	28,390	244,515	29,572,666
Receivables	1,130,645	-	-	-	-	1,130,645
Financial assets held at fair value through profit or loss						
Held for trading						
Futures	303,532	2,800,032	76,554	-	1,155,941	4,336,059
Designated at fair value through profit or loss						
Unlisted equities	1,914,469	-	-	-	-	1,914,469
Unlisted unit trusts	16,882,178	-	-	-	-	16,882,178
Total assets	46,283,272	5,915,604	208,295	28,390	1,400,456	53,836,017
Liabilities						
Distributions payable	719,989	-	-	-	-	719,989
Payables	57,576	-	-	-	-	57,576
Financial liabilities held at fair value through profit or loss						
Held for trading						
Futures	406,376	1,420,069	116,486	4,409	1,358,838	3,306,178
Total liabilities (excluding net assets attributable to unitholders)	1,183,941	1,420,069	116,486	4,409	1,358,838	4,083,743
Net assets attributable to unitholders	45,099,331	4,495,535	91,809	23,981	41,618	49,752,274

At 26 June 2018, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the controlled trusts were exposed, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	AUD Weakened Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)		AUD Strengthened Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	
	26 June 2018	30 June 2017	26 June 2018	30 June 2017
	\$	\$	\$	\$
Controlled trusts				
5% AUD to foreign currency (2017:5%)	-	49,000	-	(44,000)

The possible impact against other currencies is considered immaterial individually and therefore has not been included in the above table. The analysis is performed on the same basis for the periods 1 July 2017 to 26 June 2018 and 1 July 2016 to 30 June 2017.

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk

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

The Fund's and controlled trusts' interest-bearing financial assets and financial liabilities exposed it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund and controlled trusts had established limits on investments in interest-bearing assets, which were monitored on a daily basis. The controlled trusts may have used derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk was measured using sensitivity analysis.

In accordance with the Fund's policy, the Investment Manager monitored the Fund's and controlled trusts' overall interest sensitivity on a regular basis. This information and the compliance with the Fund's policy were reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

The Fund and controlled trusts had direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also have been indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Fund invested and impact on the valuation of certain assets that used interest rates as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Fund's and controlled trusts' net assets attributable to unitholders of future movements in interest rates.

The table below summarises the Fund's and controlled trusts' exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the maturity dates:

Fund

26 June 2018	Floating interest rate	3 months or less	Fixed interest rate			Non-interest bearing	Total
			4 to 12 months	1 to 5 years	Over 5 years		
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-
Financial assets held at fair value through profit or loss							
Designated as at fair value through profit and loss							
Unlisted unit trusts	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-
Liabilities							
Distributions payable	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	-	-	-

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

Fund

30 June 2017	Floating interest rate \$	3 months or less \$	Fixed interest rate 4 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets							
Cash and cash equivalents	362,422	-	-	-	-	-	362,422
Receivables	-	-	-	-	-	1,256,785	1,256,785
Financial assets held at fair value through profit or loss							
Designated as at fair value through profit and loss							
Unlisted Equities	-	-	-	-	-	48,669,485	48,669,485
Total assets	<u>362,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,926,270</u>	<u>50,288,692</u>
Liabilities							
Distributions payable	-	-	-	-	-	946,421	946,421
Payables	-	-	-	-	-	650,124	650,124
Total liabilities (excluding net assets attributable to unitholders)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596,545</u>	<u>1,596,545</u>
Net assets attributable to unitholders	<u>362,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,329,725</u>	<u>48,692,147</u>

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

Controlled trusts

26 June 2018	Floating	3 months or	Fixed interest rate			Non-interest	Total
	interest rate	less	4 to 12	1 to 5 years	Over 5 years	bearing	
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-
Financial assets held at fair value through profit or loss							
Held for Trading							
Futures	-	-	-	-	-	-	-
Designated as at fair value through profit and loss							
Unlisted equities	-	-	-	-	-	-	-
Unlisted unit trusts	-	-	-	-	-	-	-
Total assets	-	-	-	-	-	-	-
Liabilities							
Distributions payable	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-
Financial liabilities held at fair value through profit or loss							
Held for Trading							
Futures	-	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	-	-	-

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

Controlled trusts

30 June 2017	Floating interest rate \$	3 months or less \$	Fixed interest rate 4 to 12 months \$	1 to 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Assets							
Cash and cash equivalents	19,282,316	10,290,350	-	-	-	-	29,572,666
Receivables	-	-	-	-	-	1,130,645	1,130,645
Financial assets held at fair value through profit or loss							
Held for Trading							
Futures	2,142,728	-	-	-	-	2,193,331	4,336,059
Designated as at fair value through profit and loss							
Unlisted Equities	-	-	-	-	-	1,914,469	1,914,469
Unlisted unit trusts	-	-	-	-	-	16,882,178	16,882,178
Total assets	<u>21,425,044</u>	<u>10,290,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,120,623</u>	<u>53,836,017</u>
Liabilities							
Distributions payable	-	-	-	-	-	719,989	719,989
Payables	-	-	-	-	-	57,576	57,576
Financial liabilities held at fair value through profit or loss							
Held for Trading							
Futures	<u>2,179,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126,811</u>	<u>3,306,178</u>
Total liabilities (excluding net assets attributable to unitholders)	<u>2,179,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,904,376</u>	<u>4,083,743</u>
Net assets attributable to unitholders	<u>19,245,677</u>	<u>10,290,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,216,247</u>	<u>49,752,274</u>

At 26 June 2018, should interest rates have (decreased)/increased by the basis points indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

Fund	As at 26 June 2018		As at 30 June 2017	
	Increased by 25bps \$	Decreased by 25bps \$	Increased by 25bps \$	Decreased by 25bps \$
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	<u>-</u>	<u>-</u>	<u>906</u>	<u>(906)</u>

11 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

	As at 26 June 2018		As at 30 June 2017	
	Increased by 25bps \$	Decreased by 25bps \$	Increased by 25bps \$	Decreased by 25bps \$
Controlled trusts				
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	-	-	(48,114)	48,114

(c) Credit risk

Credit risk is the risk that primarily arises from deposits held with banks and other financial institutions and from trading derivative products.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of exposures by rating is set out in the table below:

Fund	AA- \$	A \$	BBB+ \$	Total \$
At 26 June 2018				
Australian cash deposits	-	-	-	-
Total	-	-	-	-
Fund	AA- \$	A \$	BBB+ \$	Total \$
At 30 June 2017				
Australian cash deposits	362,422	-	-	362,422
Total	362,422	-	-	362,422
Controlled trusts	AA- \$	A \$	BBB+ \$	Total \$
At 26 June 2018				
Australian cash deposits	-	-	-	-
Total	-	-	-	-
Controlled trusts	AA- \$	A \$	BBB+ \$	Total \$
At 30 June 2017				
Australian cash deposits	19,282,316	9,294,000	996,350	29,752,666
Total	19,282,316	9,294,000	996,350	29,752,666

11 Financial risk management (continued)

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk were monitored by the Investment Manager to ensure they were within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk were managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

There were no significant concentrations of risk to any particular industry at 26 June 2018 and 30 June 2017.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund and controlled trusts may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

Investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Fund and controlled trusts may invest in investments in unlisted unit trusts that expose the Fund to the risk that the Fund or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Fund or controlled trusts.

The controlled trusts may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the controlled trusts may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the reporting period.

The Fund's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its Constitution, the Fund has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholder's option. However, the Board does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's and controlled trusts' liquidity position on a regular basis. This information and the compliance with the Fund's policy are reported to the relevant parties on a regular basis as deemed appropriate such as the compliance manager, other key management personnel, compliance committees and ultimately the Board.

11 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Fund's and controlled trusts' non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

Fund	Less than 1 month \$	1-3 months \$	3-12 months \$	More than 12 months \$
At 26 June 2018				
Distributions payable	-	-	-	-
Payables	-	-	-	-
Net assets attributable to unitholders	-	-	-	-
Total financial liabilities	-	-	-	-

Fund	Less than 1 month \$	1-3 months \$	3-12 months \$	More than 12 months \$
At 30 June 2017				
Distribution payable	946,421	-	-	-
Payables	650,014	-	-	-
Net assets attributable to unitholders	48,692,257	-	-	-
Total financial liabilities	50,288,692	-	-	-

Controlled trusts	Less than 1 month \$	1-3 months \$	3-12 months \$	More than 12 months \$
At 26 June 2018				
Distributions payable	-	-	-	-
Payables	-	-	-	-
Held for trading - futures	-	-	-	-
Net assets attributable to unitholders	-	-	-	-
Total financial liabilities	-	-	-	-

Controlled trusts	Less than 1 month \$	1-3 months \$	3-12 months \$	More than 12 months \$
At 30 June 2017				
Distribution payable	719,989	-	-	-
Payables	57,576	-	-	-
Held for trading - futures	(5,049)	(595,565)	(1,136,098)	(1,569,465)
Net assets attributable to unitholders	49,752,784	-	-	-
Total financial liabilities	50,525,300	(595,565)	(1,136,098)	(1,569,465)

11 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the controlled trusts' derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 month \$	1-3 months \$	3-12 months \$	More than 12 months \$
Controlled trusts				
At 26 June 2018				
Futures				
- (Outflows)	-	-	-	-
- Inflows	-	-	-	-
	-	-	-	-
	-	-	-	-
	Less than 1 month \$	1-3 months \$	3-12 months \$	More than 12 months \$
Controlled trusts				
At 30 June 2017				
- (Outflows)	(5,050)	(595,565)	(1,136,098)	(1,569,465)
- Inflows	74,793	1,482,559	1,773,685	1,005,022
	69,743	886,994	637,587	(564,443)

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Fund's financial assets and financial liabilities at the end of the reporting period approximated their fair values.

Fair value 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.

The Fund's accounting policy on fair value measurement is set out in note 2(b). The methods and assumptions used in the determination of the fair value of each class of financial instruments are also set out in note 2(b).

Note 2(o) outlines further the nature of management's judgements, estimates and assumptions that might have been used in the determination of the fair values of these financial instruments.

(g) Fair value hierarchy

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Fund's and controlled trusts' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

Fund

At 26 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Unlisted unit trusts	-	-	-	-
Total	-	-	-	-

Fund

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Unlisted unit trusts	-	48,669,485	-	48,669,485
Total	-	48,669,485	-	48,669,485

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

Controlled trusts

At 26 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$

Financial assets

Financial assets held for trading:

Futures	-	-	-	-
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Financial assets designated at fair value through profit or loss at inception:

Unlisted equities	-	-	-	-
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Unlisted unit trusts	-	-	-	-
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Total	-	-	-	-
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Financial liabilities

Financial liabilities held for trading:

Futures	-	-	-	-
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Controlled trusts

At 30 June 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$

Financial assets

Financial assets held for trading:

Futures	4,336,059	-	-	4,336,059
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Financial assets designated at fair value through profit or loss at inception:

Unlisted equities	-	1,914,469	-	1,914,469
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Unlisted unit trusts	-	16,882,178	-	16,882,178
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Total	4,336,059	18,796,647	-	23,132,706
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Financial liabilities

Held for trading:

Futures	3,306,178	-	-	3,306,178
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Total	3,306,178	-	-	3,306,178
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The pricing for the majority of the Fund's and controlled trusts' investments was generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values were based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include bonds and over-the-counter derivatives.

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the relevant investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

12 Offsetting financial assets and financial liabilities

None of the financial instruments were offset in the Statement of financial position. The disclosures set out in the tables below include financial assets and financial liabilities that were subject to enforceable master netting agreements (or similar) irrespective of whether they were offset:

Controlled trusts

	Gross amounts	Gross amounts of recognised financial assets set off in the Statement of financial position	Net amounts of financial assets presented in Statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
Financial assets - 26 June 2018	\$	\$	\$	\$	\$	\$	\$
Derivatives	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-

	Gross amounts	Gross amounts of recognised financial liabilities set off in the Statement of financial position	Net amounts of financial liabilities presented in Statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
Financial liabilities - 26 June 2018	\$	\$	\$	\$	\$	\$	\$
Derivatives	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-

12 Offsetting financial assets and financial liabilities (continued)

Controlled trusts

	Gross amounts	Gross amounts of recognised financial assets set off in the Statement of financial position	Net amounts of financial assets presented in Statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
Financial assets - 30 June 2017	\$	\$	\$	\$	\$	\$	\$
Derivatives	<u>4,336,059</u>	<u>-</u>	<u>4,336,059</u>	<u>3,306,178</u>	<u>-</u>	<u>-</u>	<u>1,029,881</u>
Closing balance	<u>4,336,059</u>	<u>-</u>	<u>4,336,059</u>	<u>3,306,178</u>	<u>-</u>	<u>-</u>	<u>1,029,881</u>
	Gross amounts	Gross amounts of recognised financial liabilities set off in the Statement of financial position	Net amounts of financial liabilities presented in Statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
Financial liabilities - 30 June 2017	\$	\$	\$	\$	\$	\$	\$
Derivatives	<u>3,306,178</u>	<u>-</u>	<u>3,306,178</u>	<u>3,306,178</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>3,306,178</u>	<u>-</u>	<u>3,306,178</u>	<u>3,306,178</u>	<u>-</u>	<u>-</u>	<u>-</u>

The agreements, where relevant, could include derivative clearing agreements, global master repurchase agreements and others. Similar financial instruments could include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities lending agreements, short sales etc.

The International Swaps and Derivatives Association ("ISDA"), master netting agreements or similar agreements do not generally meet the criteria for offsetting. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the entity or the counterparties.

From time to time, the Fund may have received or pledged collateral which could have been in the form of cash or marketable securities or both in respect of the above instruments. Such collateral, if transacted, was generally subject to the standard industry terms of ISDA's Credit Support Annex. This means that collateral received/pledged could be re-pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also generally gave each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

13 Related party transactions

Controlled trusts

Interests in controlled trusts are set out in note 9.

Responsible Entity

The responsible entity of Blue Sky Alliance Fund is OMIFL.

Key management personnel

(a) Directors/Company secretaries

Key management personnel included persons who were directors and company secretaries of OMIFL during the reporting period.

13 Related party transactions (continued)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the reporting period.

Key management personnel unitholdings

As at 26 June 2018, the unit holdings of related parties are as follows:

26 June 2018 Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Neil Power	14,723	-	-	-	-	14,723	-
James MacGinley	15,717	-	-	-	-	15,717	-
Quadrant Dynamic Risk Allocation Pty Ltd	<u>203,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,056</u>	<u>-</u>
Total	<u>233,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,496</u>	<u>-</u>

30 June 2017 Unitholder	No. of units held opening (Units)	Number of units held closing (Units)	Fair value of investment \$	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund \$
Neil Power	-	14,723	19,099	0.07	14,723	-	-
James MacGinley	-	15,717	20,388	0.07	15,717	-	-
Quadrant Dynamic Risk Allocation Pty Ltd	<u>28,345</u>	<u>203,056</u>	<u>263,404</u>	<u>0.47</u>	<u>174,711</u>	<u>-</u>	<u>-</u>
Total	<u>28,345</u>	<u>233,496</u>	<u>302,891</u>	<u>0.61</u>	<u>205,151</u>	<u>-</u>	<u>-</u>

Key management personnel compensation

Key management personnel were not paid by the Fund. Payments made from the Fund to OMIFL did not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund did not make, guarantee or secure, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

From time to time directors of the Responsible Entity or other related entities, may have invested in or withdrawn from the Fund. These investments or withdrawals were on the same terms and conditions as those entered into by other Fund investors.

Apart from those details disclosed in this note, no key management personnel entered into a material contract with the Fund during the reporting period and there were no material contracts involving key management personnel's interests existing at reporting period end.

13 Related party transactions (continued)

Responsible Entity's/manager's fees and other transactions

Under the terms of the Fund's Constitution and the PDS for the Fund, management fees were payable monthly to the Investment Manager of 0.90% per annum (excluding GST) for the Absolute Return and Real Return unit classes and 1.10% per annum (excluding GST) for the Dynamic Macro unit class. Administration costs (including fees payable to the Responsible Entity) were paid separately and these expenses were capped at 0.35% per annum (excluding GST) for the Absolute Return and Real Return unit classes and 0.50% per annum (excluding GST) for the Dynamic Macro unit class. Both the management fees and the administration costs were calculated based on the net asset value of each class of units attributable to unitholders. The Investment Manager paid administration costs in excess of the expense cap.

All related party transactions were conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Fund and the Responsible Entity were as follows:

	26 June 2018 \$	30 June 2017 \$
Management fees for the reporting period	<u>619,140</u>	<u>767,032</u>
Aggregate amounts payable at the end of the reporting period	<u>-</u>	<u>135,088</u>

Other fees paid to related parties

The Responsible Entity appointed third party service providers to the Fund, some of whom were related parties of the Responsible Entity. The following entities, which were associated parties of the Responsible Entity, have provided services to the Fund during the financial year ended 26 June 2018:

- ♦ Unity Tax Services Pty Limited (ACN 147 393 557) - taxation services \$16,370 (2017: \$16,548).

The above service provider was either paid by the Fund as administration costs or as abnormal expenses.

No amounts were paid by the Fund directly to the key management personnel of OMIFL to the date of this report. Fee cap on expenses shortfall was borne by the Investment Manager from the Investment Manager fee. If the shortfall was not paid, the Responsible Entity sought payment from the Fund.

Unitholdings of related party entities

Blue Sky Alternatives Access Funds Limited is a related party entity of the Investment Manager and held units in the Blue Sky Alliance Fund as below:

26 June 2018	No. of units held opening (Units)	No. of units held closing (Units)	Fair value of investment \$	Interest held %	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund \$
Unitholder							
Blue Sky Alternatives Access Funds Limited	-	-	-	-	-	-	-

30 June 2017	No. of units held opening (Units)	No. of units held closing (Units)	Fair value of investment \$	Interest held %	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund \$
Unitholder							
Blue Sky Alternatives Access Funds Limited	3,808,653	-	-	-	-	3,808,653	-

Related party unitholdings

Parties related to the Fund (including OMIFL, its related parties and other Funds managed by OMIFL), held no units in the Fund at the end of the reporting period, other than as disclosed above.

13 Related party transactions (continued)

Investments

The Fund did not hold any investments in OMIFL or its related parties during the reporting period.

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

	For the reporting period from	
	1 July 2017 to 26 June 2018 \$	1 July 2016 to 30 June 2017 \$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the reporting period attributable to unitholders	-	-
Increase/(decrease) in net assets attributable to unitholders	(7,122,516)	(3,285,897)
Proceeds from sale of financial instruments held at fair value through profit or loss	57,644,499	20,309,178
Purchase of financial instruments held at fair value through profit or loss	(14,781,427)	(10,447,016)
Distribution to unitholders	2,681,985	946,421
Net (gains)/losses on financial instruments held at fair value through profit or loss	6,312,910	2,258,320
Net change in receivables and other assets	741,750	2,194,280
Net change in payables and other liabilities	(135,089)	52,662
Reinvested income	-	(1,593,532)
Net cash inflow/(outflow) from operating activities	45,342,112	10,434,416
(b) Components of cash and cash equivalents		
Cash as at the end of the reporting period as shown in the Statement of cash flows is reconciled to the Statement of financial position as follows:		
Cash and cash equivalents	-	362,422
	-	362,422
(c) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-	1,786,509
	-	1,786,509

15 Events occurring after the reporting period

As the Fund has been wound up effective 26 June 2018, there have been no matters or circumstances since 26 June 2018 that have significantly affected the operations of the Fund.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 26 June 2018 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 39 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 26 June 2018 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date.
- (b) the financial statements are in accordance with the Fund's Constitution.
- (c) note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (d) As outlined in Note 1 to the financial statements, the Fund terminated its operations on 26 June 2018 and all units were redeemed out of the Fund.

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



Justin Epstein
Director

Sydney
12 July 2018

Independent Auditor's Report to the Unitholders of Blue Sky Alliance Fund

Opinion

We have audited the financial report of Blue Sky Alliance Fund (the Fund) which comprises the statement of financial position as at 26 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 1 July 2017 to 26 June 2018, 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 26 June 2018 and of its financial performance for the period 1 July 2017 to 26 June 2018 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.

Other Information

The directors of the One Managed Investment Funds Limited as the Responsible Entity of the Fund are responsible for the other information. The other information comprises the information included in the Fund's annual report for the period 1 July 2017 to 26 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of 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. The Fund has been wound up effective 26 June 2018.

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 those charged with governance.

- Conclude on the appropriateness of those charged with governance's 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 those charged with governance 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 Horwath Sydney

CROWE HORWATH SYDNEY

Suwarti Asmono

SUWARTI ASMONO

Partner

Dated at Sydney this 12th day of July 2018